

LEGISLATIVE BRANCH

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Legislative Branch Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 7,472,429	\$ 7,314,843	\$ (157,586)	-2.1%	
State Special	1,752,660	1,752,660	-	0.0%	
Total	<u>\$ 9,225,089</u>	<u>\$ 9,067,503</u>	<u>\$ (157,586)</u>	<u>-1.7%</u>	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$16,197
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$66,667
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$74,772

The overall reduction in HB 2 to the Legislative Branch is \$157,586 in general fund, or 2.1 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

None

Executive Budget Comparison

The legislature revised the executive budget for the Legislative Branch by reducing general fund by an additional \$157,586 due to the passage of global amendments involving a 1 percent general fund reduction, a 2/3 equipment reduction, and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan decrease of \$77,672 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the branch to reallocate among programs the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Legislative Branch Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	General Fund	State Special	Total Funds
Original HB2-2001 Session	\$ 7,472,429	\$ 1,752,660	\$ 9,225,089
Original HB13-2001 Session	388,359	78,107	466,466
Total Fiscal 03 Legislative Appropriation	\$ 7,860,788	\$ 1,830,767	\$ 9,691,555
HB2 Special Session Action	(157,586)	-	(157,586)
Pay Plan Reduction	(77,672)	-	(77,672)
Revised Legislative Appropriation	\$ 7,625,530	\$ 1,830,767	\$ 9,456,297
17-7-140 Adjustments	(350,000)	-	(350,000)
Revised Fiscal 2003	<u>\$ 7,275,530</u>	<u>\$ 1,830,767</u>	<u>\$ 9,106,297</u>
Percent Reduction from 2001 Session	-7.4%	0.0%	-6.0%

CONSUMER COUNSEL

Summary of Legislative Action

The Consumer Counsel is funded with state special revenue. Therefore, legislative action had no impact on the agency.

Consumer Counsel Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
State Special	\$ 1,208,068	\$ 1,208,068	\$ -	0.0%
Total	<u>\$ 1,208,068</u>	<u>\$ 1,208,068</u>	<u>\$ -</u>	<u>0.0%</u>

Other Legislation

None

Executive Budget Comparison

The executive budget had no impact on the Consumer Counsel.

Language

None

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's pending reductions ordered under the authority of 17-7-140 in June, 2002.

Consumer Counsel Fiscal 2003 Agency Funding Adjustments		
	State Special	Total Funds
HB 2 & 13 + Adjustments		
Original HB2-2001 Session	\$ 1,208,068	\$ 1,208,068
Original HB13-2001 Session	25,902	25,902
Total Fiscal 03 Legislative Appropriation	\$ 1,233,970	\$ 1,233,970
HB2 Special Session Action	-	-
Pay Plan Reduction	-	-
Revised Legislative Appropriation	\$ 1,233,970	\$ 1,233,970
17-7-140 Adjustments	-	-
Revised Fiscal 2003	<u>\$ 1,233,970</u>	<u>\$ 1,233,970</u>
Percent Reduction from 2001 Session	0.0%	0.0%

JUDICIARY

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Judiciary Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference		Percent Reduction
General Fund	\$ 9,637,131	\$ 9,680,723	\$ 43,592		0.5%
State Special	1,753,959	1,753,959	-		0.0%
Federal Special	<u>363,725</u>	<u>363,725</u>	<u>-</u>		<u>0.0%</u>
Total	<u>\$ 11,754,815</u>	<u>\$ 11,798,407</u>	<u>\$ 43,592</u>		<u>0.4%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$12,178
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$96,367
- Increased the fiscal 2003 general fund appropriation by \$152,137 for staffing costs related to two new district court judges added by the 57th Legislature in Ravalli and Cascade counties.

The additional funds were added to the District Court Operations Program. The reductions were made to the Supreme Court Operations Program with the allowance that the branch could reallocate these reductions among programs when developing fiscal 2003 operating plans.

Other Legislation

None

Executive Budget Comparison

The legislature adopted the executive proposal to increase the Judiciary general fund budget by \$152,137.

The legislature also adopted the executive budget reductions involving a 20 percent pay plan reduction of \$50,727 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the branch to reallocate among programs the 1 percent reduction and reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Judiciary Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 9,637,131	\$ 1,753,959	\$ 363,725	\$ 11,754,815
Original HB13-2001 Session	253,634	28,560	-	282,194
Total Fiscal 03 Legislative Appropriation	\$ 9,890,765	\$ 1,782,519	\$ 363,725	\$ 12,037,009
HB2 Special Session Action	43,592	-	-	43,592
Pay Plan Reduction	(50,727)	-	-	(50,727)
Revised Legislative Appropriation	\$ 9,883,630	\$ 1,782,519	\$ 363,725	\$ 12,029,874
17-7-140 Adjustments	(365,746)	-	-	(365,746)
Revised Fiscal 2003	<u>\$ 9,517,884</u>	<u>\$ 1,782,519</u>	<u>\$ 363,725</u>	<u>\$ 11,664,128</u>
Percent Reduction from 2001 Session	-3.8%	0.0%	0.0%	-3.1%

MONTANA CHIROPRACTIC LEGAL PANEL

Summary of Legislative Action

The Montana Chiropractic Legal Panel is funded with state special revenue. Therefore, legislative action had no impact on the panel.

Montana Chiropractic Legal Panel Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
State Special	\$ 15,000	\$ 15,000	\$ -	0.0%	
Total	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>0.0%</u>	

Other Legislation

None

Executive Budget Comparison

The executive budget had no impact on the Chiropractic Legal Panel.

Language

None

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Montana Chiropractic Legal Panel Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	General Fund	State Special	Total Funds
Original HB2-2001 Session	\$ -	\$ 15,000	\$ 15,000
Original HB13-2001 Session	<u>253,634</u>	<u>28,560</u>	<u>282,194</u>
Total Fiscal 03 Legislative Appropriation	\$ 253,634	\$ 43,560	\$ 297,194
HB2 Special Session Action	-	-	-
Pay Plan Reduction	-	-	-
Revised Legislative Appropriation	\$ 253,634	\$ 43,560	\$ 297,194
17-7-140 Adjustments	-	-	-
Revised Fiscal 2003	<u>\$ 253,634</u>	<u>\$ 43,560</u>	<u>\$ 297,194</u>
Percent Reduction from 2001 Session	0.0%	0.0%	0.0%

GOVERNOR'S OFFICE

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Governors Office Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 4,278,317	\$ 4,178,085	\$ (100,232)	-2.3%	
State Special	310,533	310,533	-	0.0%	
Federal Special	45,104	45,104	-	0.0%	
Total	\$ 4,633,954	\$ 4,533,722	\$ (100,232)	-2.2%	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$19,955
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$42,777
- Reduced the fiscal 2003 general fund appropriation by eliminating the one-time-only appropriation to the Consensus Council - \$37,500

The overall reduction in HB 2 to the Governor's Office is \$100,232 in general fund money or 2.3 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

The legislature adopted House Bill 10 that reduced the \$350,000 statutory allocation of revenue from the coal severance tax to the Office of Economic Development by 50 percent. Prior reductions ordered by the Governor pursuant to 17-7-140 MCA further reduced spending of the statutory allocation by \$127,500 for an overall impact to the Office of Economic Development of \$302,500.

Executive Budget Comparison

The legislature revised the executive budget for the Governor's Office as follows:

- Reduced general fund by \$37,500 through an amendment that eliminates the one-time-only appropriation in fiscal 2003 to the Consensus Council for matching funds for grants.
- Reduced general fund by an additional \$62,732 through the passage of two global amendments involving a 1% general fund reduction and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan reduction of \$37,354 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the department to reallocate among programs the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Governors Office Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 4,278,317	\$ 310,533	\$ 45,104	\$ 4,633,954
Original HB13-2001 Session	186,770	10,582	1,822	199,174
Total Fiscal 03 Legislative Appropriation	\$ 4,465,087	\$ 321,115	\$ 46,926	\$ 4,833,128
HB2 Special Session Action	(100,232)	-	-	(100,232)
Pay Plan Reduction	(37,354)	-	-	(37,354)
Revised Legislative Appropriation	\$ 4,327,501	\$ 321,115	\$ 46,926	\$ 4,695,542
17-7-140 Adjustments	(491,329)	-	-	(491,329)
Revised Fiscal 2003	<u>\$ 3,836,172</u>	<u>\$ 321,115</u>	<u>\$ 46,926</u>	<u>\$ 4,204,213</u>
Percent Reduction from 2001 Session	-14.1%	0.0%	0.0%	-13.0%

SECRETARY OF STATE

The Office of the Secretary of State conducts its daily operations through a single program: the Business and Government Services Program. The agency receives its entire funding from one enterprise fund and was not impacted by the 2002 Special Legislative Session.

COMMISSIONER OF POLITICAL PRACTICES

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Commissioner of Political Practices Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 346,987	\$ 340,248	\$ (6,739)	-1.9%
Total	\$ 346,987	\$ 340,248	\$ (6,739)	-1.9%

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$3,270
- Reduced the fiscal 2003 general fund appropriation by 1 percent -\$3,469

The overall reduction in HB 2 to the Commissioner of Political Practices is \$6,739 in general fund money, or 1.9 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

None

Executive Budget Comparison

The legislature revised the executive budget for the Commissioner of Political Practices by reducing general fund by an additional \$6,739 due to the passage of two global amendments involving a 1 percent general fund reduction and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan decrease of \$2,486 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the department to reallocate among programs the 1 percent reduction and the reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Commissioner of Political Practices Fiscal 2003 Agency Funding Adjustments		
HB 2 & 13 + Adjustments	General Fund	Total Funds
Original HB2-2001 Session	\$ 346,987	\$ 346,987
Original HB13-2001 Session	12,430	12,430
Total Fiscal 03 Legislative Appropriation	\$ 359,417	\$ 359,417
HB2 Special Session Action	(6,739)	(6,739)
Pay Plan Reduction	(2,486)	(2,486)
Revised Legislative Appropriation	\$ 350,192	\$ 350,192
17-7-140 Adjustments	(16,850)	(16,850)
Revised Fiscal 2003	\$ 333,342	\$ 333,342
Percent Reduction from 2001 Session	-7.3%	-7.3%

OFFICE OF THE STATE AUDITOR

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

State Auditors Office Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 336,923	\$ 320,609	\$ (16,314)	-4.8%
State Special	<u>3,268,329</u>	<u>3,268,329</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 3,605,252</u>	<u>\$ 3,588,938</u>	<u>\$ (16,314)</u>	<u>-0.5%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$1,153
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$3,369
- Incorporated the Governor's 17-7-140, MCA spending reductions into HB 2 - \$11,792

The overall HB 2 reduction to the Office of the State Auditor is \$16,314 in general fund or 4.8 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

None

Executive Budget Comparison

The legislature revised the executive budget for the Office of the State Auditor as follows:

- Reduced general fund by \$11,792 in order to incorporate into HB 2 prior spending reductions ordered by the Governor under 17-7-140 MCA.
- Reduced general fund by an additional \$4,522 through the passage of two global amendments involving a 1 percent general fund reduction and 25 percent reduction in supplies.

Language

"Item [Securities] includes a reduction in fiscal year 2003 of \$11,792 in general fund money and represents the reductions ordered by the governor pursuant to 17-7-140."

Language was added to allow the office to reallocate among programs the 1 percent reduction and reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

State Auditors Office Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	General Fund	State Special	Total Funds
Original HB2-2001 Session	\$ 336,923	\$ 3,268,329	\$ 3,605,252
Original HB13-2001 Session	-	200,765	200,765
Total Fiscal 03 Legislative Appropriation	\$ 336,923	\$ 3,469,094	\$ 3,806,017
HB2 Special Session Action	(16,314)	-	(16,314)
Pay Plan Reduction	-	-	-
Revised Legislative Appropriation	\$ 320,609	\$ 3,469,094	\$ 3,789,703
17-7-140 Adjustments*	-	-	-
Revised Fiscal 2003	\$ 320,609	\$ 3,469,094	\$ 3,789,703
Percent Reduction from 2001 Session	-4.8%	0.0%	-0.4%
<i>*17-7-140 reductions of \$11,792 were incorporated into HB 2 by the legislature.</i>			

DEPARTMENT OF TRANSPORTATION

Summary of Legislative Action

The Department of Transportation is funded primarily with highways state special revenue and federal funds. Legislative action did not result in any reductions to the agency.

Department of Transportation Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
State Special	175,419,319	175,419,319	-	0.0%
Federal Special	<u>325,781,566</u>	<u>325,781,566</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 501,200,885</u>	<u>\$ 501,200,885</u>	<u>\$ -</u>	<u>0.0%</u>

Other Legislation

None

Executive Budget Comparison

The Executive Budget did not contain any HB 2 reductions or additions to the department's appropriations other than a global hiring freeze. Refer to the Overview Section for information on the hiring freeze as proposed by the executive and adopted by the legislature.

In addition, the executive proposed replacing general fund in the Motor Vehicle Division (MVD) in the Department of Justice with \$8.3 million in highways state special revenue in fiscal 2003. Approximately \$4.1 million would have been funded from the restricted highway state special revenue account and \$4.2 million from the non-restricted. To avoid any possibility that the use of the restricted funds did not meet the purposes set forth in the Montana constitution, the legislature provided a smaller fund switch by funding the division in fiscal 2003 with \$1.7 million general fund and \$6.6 million in non-restricted highway state special revenue. The reduced amount allows all highways state special revenue for the MVD to be funded from the non-restricted highways state special revenue account. Language was also included in HB 2 in the Department of Justice to insure that the \$6.6 million comes from the non-restricted highways state special revenue funds.

Language

None

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Transportation Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 175,419,319	\$ 325,781,566	\$ 501,200,885
Original HB13-2001 Session	4,152,825	2,227,064	6,379,889
Total Fiscal 03 Legislative Appropriation	\$ 179,572,144	\$ 328,008,630	\$ 507,580,774
HB2 Special Session Action	-	-	-
Pay Plan Reduction	-	-	-
Revised Legislative Appropriation	\$ 179,572,144	\$ 328,008,630	\$ 507,580,774
17-7-140 Adjustments	-	-	-
Revised Fiscal 2003	<u>\$ 179,572,144</u>	<u>\$ 328,008,630</u>	<u>\$ 507,580,774</u>
Percent Reduction from 2001 Session	0.0%	0.0%	0.0%

DEPARTMENT OF REVENUE

Summary of Legislative Action

Legislative action results in an increase of \$288,875 general fund in fiscal 2003 and is comprised of the following adjustments:

Department of Revenue Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 27,963,282	\$ 28,252,157	\$ 288,875	1.0%	
State Special	463,285	463,285	-	0.0%	
Federal Special	2,367,397	2,367,397	-	0.0%	
Other Funds	1,932,260	1,932,260	-	0.0%	
Total	<u>\$ 32,726,224</u>	<u>\$ 33,015,099</u>	<u>\$ 288,875</u>	<u>0.9%</u>	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal year 2002 - \$40,585
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$2,200
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$276,423
- Increased the fiscal 2003 general fund appropriation to fund 13.3 FTE compliance staff and eliminate vacancy savings associated with 6.0 existing compliance positions, and reverse the 1 percent across the board and pay plan reductions to the Compliance, Valuation and Resolution program - \$928,784
- Eliminated the fiscal 2003 general fund appropriation to implement SB 512 from the 2001 legislative session, which was contingent upon that bill's passage and approval. SB 512 did not pass in the 2001 legislative session - \$320,701.

Other Legislation

SB 15 temporarily reduces the impact on the general fund of the tax credit for contributions to a qualified endowment. Tax credits are temporarily increased on charitable gifts made on or after July 1, 2003 to offset the temporary decreases. The fiscal note projects increased revenue of \$1.8 million in fiscal 2003. The change is projected to have minimal administrative impacts on the Department of Revenue.

Executive Budget Comparison

The legislature revised the Executive Budget for the Department of Revenue by increasing general fund by \$928,784 to eliminate a portion of vacancy savings and across the board reductions, and add additional FTE. In addition, the legislature reduced the Executive Budget by \$319,208 general fund due to the passage of global amendments involving a 1 percent general fund reduction, a 2/3 equipment reduction, and a 25 percent reduction in supplies.

The legislature adopted the Executive Budget reductions involving a 20 percent pay plan decrease of \$287,790 and a hiring freeze (refer to the Overview section for further information).

Language

Language was added to allow the department to reallocate among programs the 1 percent reduction and reductions in supplies and equipment.

“Items [Director’s Office, Customer Service and Information Practices, and Compliance Valuation and Resolution] include increases totaling \$813,784 in general fund money in fiscal year 2003 to fund 13.3 FTE compliance staff and to eliminate vacancy savings associated with 6 FTE existing compliance positions.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Revenue Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 27,963,282	\$ 463,285	\$ 2,367,397	\$ 1,932,260	\$ 32,726,224
Original HB13-2001 Session	<u>1,438,951</u>	<u>24,590</u>	<u>120,206</u>	<u>95,132</u>	<u>1,678,879</u>
Total Fiscal 03 Legislative Appropriation	\$ 29,402,233	\$ 487,875	\$ 2,487,603	\$ 2,027,392	\$ 34,405,103
HB2 Special Session Action	288,875	-	-	-	288,875
Pay Plan Reduction	<u>(287,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287,790)</u>
Revised Legislative Appropriation	\$ 29,403,318	\$ 487,875	\$ 2,487,603	\$ 2,027,392	\$ 34,406,188
17-7-140 Adjustments	(757,688)	-	-	-	(757,688)
Revised Fiscal 2003	<u>\$ 28,645,630</u>	<u>\$ 487,875</u>	<u>\$ 2,487,603</u>	<u>\$ 2,027,392</u>	<u>\$ 33,648,500</u>
Percent Reduction from 2001 Session	-2.6%	0.0%	0.0%	0.0%	-2.2%

DEPARTMENT OF ADMINISTRATION

Summary of Legislative Action

Legislative action results in a decrease of \$58,521 general fund and \$190,000 proprietary funds in fiscal 2003. The legislature made the following adjustments to the fiscal 2003 appropriations:

Department of Administration Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 4,268,182	\$ 4,209,661	\$ (58,521)	-1.4%	
State Special	2,745,707	2,745,707	-	0.0%	
Federal Special	62,451	62,451	-	0.0%	
Other Funds	9,878,609	9,688,609	(190,000)	-1.9%	
Total	<u>\$ 16,954,949</u>	<u>\$ 16,706,428</u>	<u>\$ (248,521)</u>	<u>-1.5%</u>	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$11,794
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$4,049
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$42,678
- Reduced the fiscal 2003 proprietary operating budget appropriation for the Montana State Lottery - \$190,000. Because any excess funds are deposited to the general fund, this action will result in increased general fund revenue.

Other Legislation

HB 16 requires agencies to certify to the Department of Administration that they have billed appropriate non-state entities prior to requesting general fund loans. The bill is expected to save \$856,000 in general fund interest. No administrative impacts on the department are anticipated.

Executive Budget Comparison

The legislature revised the Executive Budget for the Department of Administration by reducing general fund by an additional \$58,521 due to the passage of global amendments involving a 1 percent general fund reduction, a 2/3 equipment reduction and 25 percent reduction in supplies.

The legislature adopted the Executive Budget reductions involving a 20 percent pay plan decrease of \$41,711 and a hiring freeze (refer to the Overview section for further information).

Language

Language was approved to allow the department to reallocate the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Administration Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 4,268,182	\$ 2,745,707	\$ 62,451	\$ 9,878,609	\$ 16,954,949
Original HB13-2001 Session	<u>208,557</u>	<u>102,956</u>	<u>2,942</u>	<u>58,333</u>	<u>372,788</u>
Total Fiscal 03 Legislative Appropriation	\$ 4,476,739	\$ 2,848,663	\$ 65,393	\$ 9,936,942	\$ 17,327,737
HB2 Special Session Action	(58,521)	-	-	(190,000)	(248,521)
Pay Plan Reduction	<u>(41,711)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,711)</u>
Revised Legislative Appropriation	\$ 4,376,507	\$ 2,848,663	\$ 65,393	\$ 9,746,942	\$ 17,037,505
17-7-140 Adjustments*	(293,252)	266,117	-	-	(27,135)
Revised Fiscal 2003	<u>\$ 4,083,255</u>	<u>\$ 3,114,780</u>	<u>\$ 65,393</u>	<u>\$ 9,746,942</u>	<u>\$ 17,010,370</u>
Percent Reduction from 2001 Session	-8.8%	9.3%	0.0%	-1.9%	-1.8%
*Does not include a reduction of \$136,412 in bonding projects					

APPELLATE DEFENDER COMMISSION

Summary of Legislative Action

Legislative action results in a decrease of \$2,326 general fund in fiscal 2003.

Appellate Defender Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 178,901	\$ 176,575	\$ (2,326)	-1.3%
Total	\$ 178,901	\$ 176,575	\$ (2,326)	-1.3%

The legislature made the following adjustments to the fiscal 2003 appropriations:

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$537
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$1,789

Other Legislation

None

Executive Budget Comparison

The legislature revised the Executive Budget for the Appellate Defender Commission by reducing general fund an additional \$2,326 due to the passage of global amendments involving a 1 percent general fund reduction and a 25 percent reduction in supplies.

The legislature adopted the Executive Budget reductions involving a 20 percent pay plan decrease of \$1,796 and a hiring freeze (refer to the Overview section for further information).

Language

Language was approved to allow the commission to reallocate the 1 percent reduction and reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Appellate Defender Fiscal 2003 Agency Funding Adjustments		
HB 2 & 13 + Adjustments	General Fund	Total Funds
Original HB2-2001 Session	\$ 178,901	\$ 178,901
Original HB13-2001 Session	8,981	8,981
Total Fiscal 03 Legislative Appropriation	\$ 187,882	\$ 187,882
HB2 Special Session Action	(2,326)	(2,326)
Pay Plan Reduction	(1,796)	(1,796)
Revised Legislative Appropriation	\$ 183,760	\$ 183,760
17-7-140 Adjustments	(6,576)	(6,576)
Revised Fiscal 2003	\$ 177,184	\$ 177,184
Percent Reduction from 2001 Session	-5.7%	-5.7%

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

Summary of Legislative Action

The legislature approved reductions totaling \$4.7 general fund (\$1.6 million total funds)⁴ in HB 2. This decrease totals 1.7 percent of the fiscal 2003 HB 2 general fund appropriation level in HB 2 approved by the 2001 regular session of the legislature.

Department Public Health & Human Services Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 273,103,341	\$ 268,420,277	\$ (4,683,064)	-1.7%
State Special	31,562,758	35,136,693	3,573,935	11.3%
Federal Special	733,544,386	735,821,086	2,276,700	0.3%
Total	<u>\$ 1,038,210,485</u>	<u>\$ 1,039,378,056</u>	<u>\$ 1,167,571</u>	<u>0.1%</u>

Including reductions to pay plan appropriations and the hiring freeze, the total general fund decrease in fiscal 2003 is estimated to be \$5.5 million. Special session action (listed in the table on page B-2) included:

- A funding switch of \$1,965,199 that reduced general fund support for Vocational Rehabilitation Services and increased state special revenue by a like amount from the Employment Security Account administered by the Department of Labor and Industry
- A reduction of \$1,450,000 in general fund support, the equivalent of 0.53 percent of the fiscal 2003 appropriation
- A funding switch that reduced \$1 million general fund for state Medicaid match for mental health expenditures, replaced by a like amount of state special revenue alcohol tax
- An increase of \$350,000 state special revenue for lowering the Medicaid copayment amounts, contingent on passage and approval of SB 26
- An increase of \$258,736 state special revenue for mental health day treatment for children, also contingent on passage and approval of SB 26
- A reduction of \$257,261 general fund, equivalent to 66.7 percent of the fiscal 2003 appropriations for equipment
- A reduction of \$107,795 general fund for office supplies
- An increase of \$97,191 general fund to maintain expansion of home and community based services for seniors and physically disabled persons eligible for Medicaid
- An increase of 5.0 FTE for lowering general fund spending by recouping additional federal funds, with funding for the new FTE supported from existing appropriations

⁴ In addition to the fiscal 2003 change summarized in the agency summary comparisons the legislature approved a reduction of \$2.8 million federal funds in a fiscal 2002 biennium appropriation. Including this item the reduction in total funds is \$1.6 million.

The legislature also approved:

- An addition of \$2.4 million in federal Temporary Assistance for Needy Families (TANF) block grant funds received as a performance bonus
- A reduction of \$2.8 million in federal TANF funds to be used for low-income housing revolving loan fund (a fiscal 2002, biennial appropriation)

In some instances the legislature reduced only general fund. Few programs administered by DPHHS are funded exclusively with general fund, with one of the main exceptions being the state institutions for the developmentally disabled. So, as a general rule, a reduction in general fund will result in the loss of federal matching funds.

Department of Public Health and Human Services August 2002, Special Session Summary of Legislative Action, House Bill 2				
Division/Item	General Fund	Fiscal 2003		Total Funds
		SSR	Federal	
Beginning Balance (2001 Regular Session HB2)	\$273,103,341	\$31,562,758	\$733,544,386	\$1,038,210,485
Global Supplies Reduction	(107,795)			(107,795)
Disability Services - Employment Security Account	(1,965,199)	1,965,199	0	0
TANF Performance Bonus	0	0	2,276,700	2,276,700
2/3 Equipment Reduction	(257,261)	0	0	(257,261)
Alcohol Tax Funding Switch	(1,000,000)	1,000,000	0	0
Maintain Community Services - Sr. Long-Term Care	97,191	0	0	97,191
General Fund Reduction	(1,450,000)	0	0	(1,450,000)
Fund Medicaid Copayment	0	350,000	0	350,000
Maintain Mental Health Day Treatment - Children	0	258,736	0	258,736
Implement SB 6 Reduction in FAIM Housing	<u>0</u>	<u>0</u>	<u>(2,764,561)</u>	<u>(2,764,561)</u>
Total Legislative Action, House Bill 2	(\$4,683,064)	\$3,573,935	(\$487,861)	(\$1,596,990)
Ending Appropriation Level, House Bill 2	<u>\$268,420,277</u>	<u>\$35,136,693</u>	<u>\$733,056,525</u>	<u>\$1,036,613,495</u>
House Bill 3, Pay Plan Reduction	(820,707)	0	0	(820,707)
Total Reductions, August 2002 Special Session	<u>(\$5,503,771)</u>	<u>\$3,573,935</u>	<u>(\$487,861)</u>	<u>(\$2,417,697)</u>

Disability Services Division - Employer Security Account

The legislature approved a transfer of almost \$2 million state special revenue from the Employment Security Account in the Department of Labor and Industry to the Disability Services Division (DSD) in DPHHS and offset HB 2 general fund appropriations of a like amount. DSD staff indicated that this state special revenue will be used to replaced general fund supporting Extended Employment and Vocational Rehabilitation, Section 110, services. Extended employment services are supported 100 percent by general fund and this transfer replaces all general fund support for that program with state special revenue. The Vocational Rehabilitation, Section 110 program is funded by a combination of general fund and federal funds (19 percent general fund, 81 percent federal funds).

A portion of the general fund supporting this program was replaced by state special revenue. The Vocational Rehabilitation, Section 110 program requires that the funds used as match for federal funds are unrestricted in use. According to Department of Labor and Industry staff there are no statutory or administrative rule provisions specifying or restricting how Employment Security Account funds are used.

Alcohol Tax Funding Switch

DPHHS is allocated a portion of liquor license, beer and wine taxes in a state special revenue account. The funds must be used for the treatment, rehabilitation and prevention of chemical dependency. After legislative appropriations from the account, section 53-24-108, MCA statutorily appropriates the balance of the funds to state approved chemical dependency programs, which during the 2003 biennium must be at least \$1 million. SB 1 passed by the August 2002 Special Session amended section 53-24-108, MCA to remove the \$1 million limitation and to allow alcohol state special revenue to be used as state match for Medicaid benefits. The legislature reduced general fund by \$1 million in HB 2 and increased state special revenue by that amount in order to affect SB 1.

The legislature also amended SB 1 to require the department to distribute at least \$1 million to state approved chemical dependency programs during fiscal 2003, with at least \$730,000 of funds distributed to counties in the same manner for the same uses as if the funds were from alcohol taxes. Prior to the legislative changes, the executive proposal would have offset the reduction to county program funding through excess federal block grant funds and Medicaid expansion. However, these sources of funds are not as flexible as alcohol tax funds and cannot be used to match federal grants in the way that one program uses alcohol tax funds.

The department will use a combination of funds to achieve the \$1 million distribution, including alcohol tax funds, funds received through a Medicaid access fee or intergovernmental transfer, and federal alcohol block grant. The department will free up alcohol tax for this purpose by using excess federal block grant funds to support the Montana Chemical Dependency Center.

Other Legislation

- Senate Bill 1 temporarily allows the use of state special revenue alcohol tax funds statutorily appropriated to county chemical dependency programs to be used as state matching funds for Medicaid services in addition to chemical dependency and alcoholism. This bill was implemented in HB 2 by a \$1 million general fund reduction and a \$1 million increase in alcohol tax funds to be used as Medicaid match for mental health services.
- Senate Bill 6 revised the allocation of TANF funds available to the Board of Housing for the Low-Income Revolving Loan Account from \$3.4 million to \$700,000.
- Senate Bill 26 transferred an estimated \$657,714 in excess cash from the interim universal access account established in section 69-3-861, MCA partly to the general fund (\$67,577), with the balance to a state special revenue account for DPHHS, which was appropriated for mental health day treatment for children and Medicaid copayments in HB 2.
- Senate Bill 27 allowed \$56,995 of state special revenue funds for the Montana Telecommunications Access Program to be transferred to the general fund to be used for the Montana School for the Deaf and Blind.

Executive Budget Comparison

In addition to the actions requested by the executive the legislature made several other changes. These actions are also listed in the summary of legislative action. Changes made by the legislature to the executive request include:

- A reduction of \$2.8 million in federal TANF funds to be used for low-income housing revolving loan fund
- An addition of \$2.3 million in federal TANF block grant funds received as a performance bonus
- A reduction of \$1,450,000 in general fund support, the equivalent of 0.53 percent of the fiscal 2003 appropriation
- An increase of \$350,000 state special revenue for lowering the Medicaid copayment amount, contingent on passage and approval of SB 26
- An increase of \$258,736 state special revenue for mental health day treatment for children, also contingent on passage and approval of SB 26
- A reduction of \$257,261 general fund, equivalent to 66.7 percent of the fiscal 2003 appropriations for equipment
- A reduction of \$107,795 general fund for office supplies
- An increase of \$91,191 general fund to maintain expansion of home and community based services for seniors and physically disabled persons eligible for Medicaid
- An increase of 5.0 FTE for “refinancing” general fund spending by recouping additional federal funds, with funding for the new FTE supported from existing appropriations

Language

“Funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may not be expended under any category except for contract services (expenditure account 62102) for the early return to work program. Any transfer of funds from personal services to contract services is to be used to directly substitute for use of personal services. Any transfer for either contract services or for the early return to work program must be reported in writing to the legislative finance committee. The provisions of this section do not apply to the Montana University System or to the Disability Services Division in the Department of Public Health and Human services for the purposes of adjusting the disabled population between institution and residential settings.”

“The Office of Budget and Program Planning may proportionally reduce the funding in times 1a through 1k, items 1m through 1t, and item 1v if any of the following conditions exist:

- 5) the department certifies to the Office of Budget and Program Planning that the balance of unexpended TANF funds on June 30, 2001 is less than \$30 million;
- 6) actual or projected cash assistance expenditures are greater than \$24,067,328 in fiscal year 2002 or \$23,763,854 in fiscal year 2003;
- 7) the amount of the TANF grant funds awarded to Montana by Congress is reduced below the level anticipated by the legislature; or
- 8) the department certifies to the Office of Budget and Program Planning that the reduction is necessary in order to maintain public assistance programs that were supported by federal TANF and state TANF maintenance of effort funds in fiscal year 2001.”

“Funds in item [TANF Performance Bonus] may be used only to provide TANF WoRC contracts and supportive services and child-care services.”

“Item [Director’s Office] includes funding for 5 FTE above the level funded by the 2001 legislature for the purpose of establishing a department wide refinancing unit. The cost of the FTE and any supporting contracting efforts must be supported from anticipated savings from the refinancing of social worker case management services and maximizing of federal funding in the child and family services division. The department shall report on the progress of its refinancing efforts periodically to the Office of Budget and Program Planning, Legislative Finance Committee, and the 2003 legislature.”

“It is the intent of the legislature that up to \$3 million of funds that the department receives because of refinancing general fund costs with federal special revenue be used to offset the across-the-board general fund reductions included in item [Operations and Technology Division].”

“Item [Operations and Technology Division] includes a reduction in fiscal year 2003 of \$107,795 in general fund money and represents the equivalent of 25 percent of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Operations and Technology Division] includes a reduction of \$257,261 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 66.67 percent reduction in the fiscal year 2003 budget for equipment expenses. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [Operations and Technology Division] includes a reduction of \$1.45 million of general fund money in fiscal year 2003. This reduction is the equivalent of a 0.53 percent reduction in the fiscal year 2003 general fund appropriation for the agency. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [Disability Services Division] includes a \$1,965,199 general fund decrease in fiscal year 2003 for the Disability Services Division replaced by a like amount of Employment Security Account state special revenue funds administered by the Department of Labor and Industry.”

“Pursuant to 17-7-140, item [Maintain Community Services for Elderly and Physically Disabled] is exempt from spending reductions because of a projected general fund budget deficit.”

“Item [Addictive and Mental Disorders Division] must be increased by \$1 million in general fund money and must be reduced by \$1 million in state special revenue in fiscal year 2003 unless Senate Bill No. 1, August 2002 Special Session, is passed and approved in a form that: (1) maintains at least a \$1 million distribution to state-approved chemical dependency programs to provide treatment, rehabilitation, and prevention of chemical dependency pursuant to 53-24-208; and (2) requires the department to distribute in the same proportion as provided in 53-24-206(3)(b) at least \$730,000 of the \$1 million in funds referenced in item 1 to the state-approved chemical dependency programs.”

“Items [Maintain Mental Health Treatment for Children and Maintain Medicaid Copayments] are contingent upon passage and approval of Senate Bill No. 26.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140, MCA in June, 2002. In addition to these reductions DPHHS has also implemented spending reductions to mitigate the level of supplemental appropriation needed by the department. See Appendix B for a discussion of the cumulative impact of appropriation and spending reductions.

Department Public Health & Human Services Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 273,103,341	\$ 31,562,758	\$ 733,544,386	\$ 1,038,210,485
Original HB13-2001 Session	4,103,534	759,648	2,665,649	7,528,831
Total Fiscal 03 Legislative Appropriation	\$ 277,206,875	\$ 32,322,406	\$ 736,210,035	\$ 1,045,739,316
HB2 Special Session Action	(4,683,064)	3,573,935	2,276,700	1,167,571
Pay Plan Reduction	(820,707)	-	-	(820,707)
Revised Legislative Appropriation	\$ 271,703,104	\$ 35,896,341	\$ 738,486,735	\$ 1,046,086,180
17-7-140 Adjustments	(9,601,759)	-	(13,505,886)	(23,107,645)
Revised Fiscal 2003	<u>\$ 262,101,345</u>	<u>\$ 35,896,341</u>	<u>\$ 724,980,849</u>	<u>\$ 1,022,978,535</u>
Percent Reduction from 2001 Session	-5.4%	11.1%	-1.5%	-2.2%

Special session actions included in HB 2 and HB 13 reduced general fund appropriations for DPHHS by \$5.5 million and the hiring freeze specified in HB 12 is expected to result in general fund savings of \$0.3 million. Appropriation and service reductions implemented by the executive branch in compliance with section 17-7-140, MCA and to avoid a supplemental appropriation total \$20.4 million general fund. The total general fund reduction to DPHHS due to appropriation and service reductions is \$26.1 million. The estimated reduction in matching funds that will not be spent is \$43.4 million, for total appropriation and service reductions of \$69.5 million (all funds) in DPHHS for the 2003 biennium.

DEPARTMENT OF FISH, WILDLIFE, AND PARKS

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Department of Fish, Wildlife & Parks Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 281,817	\$ 277,491	\$ (4,326)	-1.5%
State Special	35,366,484	35,366,484	-	0.0%
Federal Special	14,920,060	14,920,060	-	0.0%
Total	\$ 50,568,361	\$ 50,564,035	\$ (4,326)	0.0%

- Reduced the fiscal 2003 general fund appropriation by 25 percent of fiscal 2002 office supply expenditures - \$1,509
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$2,817

All reductions, totaling \$4,326, were made to the Parks Division with the allowance that the department could reallocate these reductions among programs when developing fiscal year 2003 operating plans.

Other Legislation

HB 9 reduced the general fund shortfall through a number of funding transfers and revenue re-allocations. Although they are not reflected in the above table, HB 9 had the following impact to the department:

- Reduced a capital improvement grant given to the Department of Fish, Wildlife, and Parks by \$150,000
- Revised 15-38-202 (2)(v) MCA to reduce the RIT interest allocation for future fisheries projects by \$150,000. As approved, FWP has an RIT interest allocation of \$350,000 rather than \$500,000 in fiscal 2003 to complete Bull and Cutthroat trout enhancement projects as part of its Future Fisheries program.

For a more complete discussion of the impacts of HB 9, see the RIT discussion in the section on the Department of Natural Resources and Conservation.

HB 10 redirected a portion of the coal severance taxes currently allocated to the parks coal tax trust account to the general fund in fiscal 2003. In fiscal 2003, the estimated impact to the department is a loss of \$14,300 of interest earnings from the trust.

Executive Budget Comparison

The executive budget proposed a funding switch that would have replaced most of the general fund appropriation in the Parks Division with state special revenue by using lodging facility use tax dollars from the Department of Commerce. The legislature did not approve this funding switch.

Language

Language was added to HB 2 to reflect the general fund reductions for supplies and total general fund budget. This language permits the department to allocate the reductions among applicable programs.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Fish, Wildlife & Parks Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 281,817	\$ 35,366,484	\$ 14,920,060	\$ 50,568,361
Original HB13-2001 Session	-	1,296,832	467,009	1,763,841
Total Fiscal 03 Legislative Appropriation	\$ 281,817	\$ 36,663,316	\$ 15,387,069	\$ 52,332,202
HB2 Special Session Action	(4,326)	-	-	(4,326)
Pay Plan Reduction	-	-	-	-
Revised Legislative Appropriation	\$ 277,491	\$ 36,663,316	\$ 15,387,069	\$ 52,327,876
17-7-140 Adjustments	(24,304)	-	-	(24,304)
Revised Fiscal 2003	<u>\$ 253,187</u>	<u>\$ 36,663,316</u>	<u>\$ 15,387,069</u>	<u>\$ 52,303,572</u>
Percent Reduction from 2001 Session	-10.2%	0.0%	0.0%	-0.1%

DEPARTMENT OF ENVIRONMENTAL QUALITY

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Department of Environmental Quality Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 3,914,857	\$ 3,856,289	\$ (58,568)	-1.5%
State Special	14,005,296	14,005,296	-	0.0%
Federal Special	<u>21,062,008</u>	<u>21,062,008</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 38,982,161</u>	<u>\$ 38,923,593</u>	<u>\$ (58,568)</u>	<u>-0.2%</u>

- Reduced the fiscal 2003 general fund appropriation by 25 percent of fiscal 2002 office supply expenditures - \$6,146
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$39,144
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$13,278

All reductions, totaling \$58,568, were made to the Planning, Prevention, and Assistance Program (Program 20) with the allowance that the department could reallocate these reductions among programs when developing fiscal 2003 operating plans.

Other Legislation

HB 9 reduced the general fund shortfall through a number of funding transfers and revenue re-allocations. Although not reflected in the above table, HB 9 had the following impacts to the department:

- Eliminated a grant to complete the Gregory Mine reclamation project. The Gregory Mine is an abandoned hard rock mine. Although the legislature eliminated the \$300,000 reclamation and development grant, funding to complete this project has been secured from the Office of Surface Mining, U.S. Department of Interior. Therefore, this mine will be reclaimed despite the elimination of the HB7 grant.
- Transferred \$1.0 million from the fund balance in the orphan share fund into the general fund. Despite the transfer, all existing orphan share projects are funded for fiscal 2003.

For an additional discussion of HB 9 impacts, see the RIT discussion in the Department of Natural Resources and Conservation.

Executive Budget Comparison

Items presented in the executive budget are addressed under the “other legislation” section. The executive had not recommended the global supplies, equipment and total general fund reductions applied to the agency.

Language

Language was added to HB 2 to reflect the general fund reductions for supplies, equipment, and total general fund budget. This language permits the department to allocate the reductions among applicable programs.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Environmental Quality Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 3,914,857	\$ 14,005,296	\$ 21,062,008	\$ 38,982,161
Original HB13-2001 Session	155,940	478,610	462,355	1,096,905
Total Fiscal 03 Legislative Appropriation	\$ 4,070,797	\$ 14,483,906	\$ 21,524,363	\$ 40,079,066
HB2 Special Session Action	(58,568)	-	-	(58,568)
Pay Plan Reduction	(31,188)	-	-	(31,188)
Revised Legislative Appropriation	\$ 3,981,041	\$ 14,483,906	\$ 21,524,363	\$ 39,989,310
17-7-140 Adjustments	(252,691)	-	-	(252,691)
Revised Fiscal 2003	\$ 3,728,350	\$ 14,483,906	\$ 21,524,363	\$ 39,736,619
Percent Reduction from 2001 Session	-8.4%	0.0%	0.0%	-0.9%

DEPARTMENT OF LIVESTOCK

Summary of Legislative Action

The legislature made the following adjustments (total reduction of \$6,930 general fund) to the department's fiscal 2003 appropriations:

Department of Livestock Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 609,048	\$ 602,118	\$ (6,930)	-1.1%
State Special	6,869,978	6,869,978	-	0.0%
Federal Special	1,365,633	1,365,633	-	0.0%
Total	\$ 8,844,659	\$ 8,837,729	\$ (6,930)	-0.1%

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$6,089
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$841

Other Legislation

No other legislation specifically affecting the Department of Livestock was passed during the special session.

Executive Budget Comparison

The executive budget proposal did not include any reductions to the Department of Livestock. Therefore, the legislative actions summarized above are changes to the executive proposal.

Language

“Item [Centralized Services Division] includes a reduction in fiscal year 2003 of \$841 in general fund money and represents the equivalent of 25% of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Diagnostic Laboratory] includes a reduction of \$6,089 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 1% reduction in the fiscal year 2003 budget for the agency. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Livestock Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 609,048	\$ 6,869,978	\$ 1,365,633	\$ 8,844,659
Original HB13-2001 Session	30,271	317,668	46,646	394,585
Total Fiscal 03 Legislative Appropriation	\$ 639,319	\$ 7,187,646	\$ 1,412,279	\$ 9,239,244
HB2 Special Session Action	(6,930)	-	-	(6,930)
Pay Plan Reduction	(6,054)	-	-	(6,054)
Revised Legislative Appropriation	\$ 626,335	\$ 7,187,646	\$ 1,412,279	\$ 9,226,260
17-7-140 Adjustments	(39,180)	-	-	(39,180)
Revised Fiscal 2003	<u>\$ 587,155</u>	<u>\$ 7,187,646</u>	<u>\$ 1,412,279</u>	<u>\$ 9,187,080</u>
Percent Reduction from 2001 Session	-8.2%	0.0%	0.0%	-0.6%

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Summary of Legislative Action

The legislature made the following adjustments, totaling \$1.4 million general fund, to the fiscal 2003 appropriation:

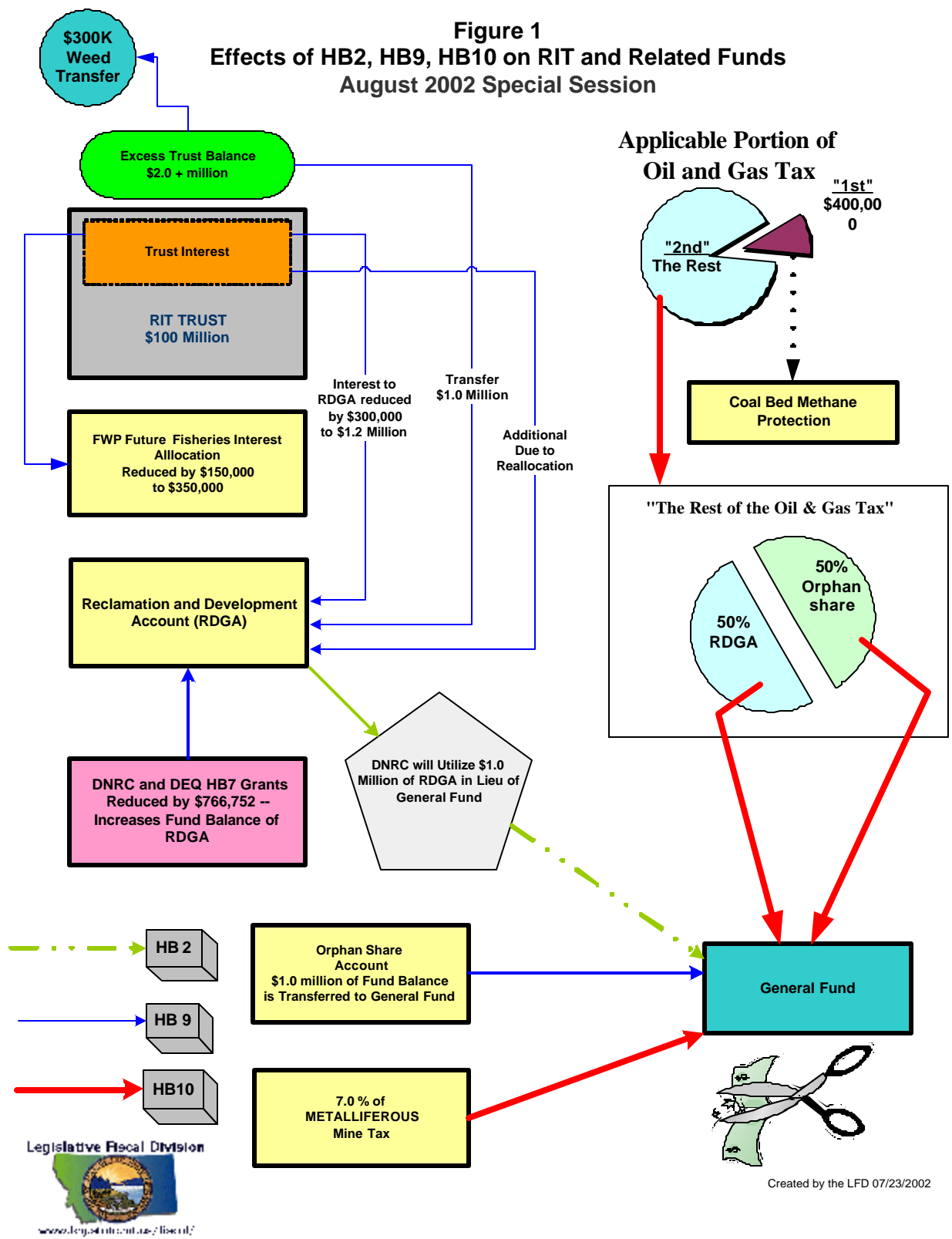
Department Nat Resource/Conservation Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 16,480,318	\$ 15,038,377	\$ (1,441,941)	-8.7%
State Special	15,991,645	16,941,645	950,000	5.9%
Federal Special	<u>2,051,618</u>	<u>2,051,618</u>	<u>-</u>	<u>0.0%</u>
Total	\$ <u>34,523,581</u>	\$ <u>34,031,640</u>	\$ <u>(491,941)</u>	<u>-1.4%</u>

- Reduced the fiscal 2003 general fund appropriation by 25% of fiscal year 2002 office supply expenditures - \$28,167
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$152,934
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$260,840
- Reduced fiscal 2003 general fund authority and increased state special revenue authority from excess Resource Indemnity Trust (RIT) trust fund balance transferred to DNRC through HB 9 - \$1.0 million.
- Reduced fiscal 2003 state special revenue authority from the shared coal tax distribution - \$50,000

Reductions for office supplies, equipment, and total general fund were taken in the Centralized Services division with the allowance that the department could reallocate these reductions among programs when developing fiscal 2003 operating plans.

Other Legislation

The legislature changed the way the RIT related accounts are funded and how trust interest is allocated. Generally: 1) certain proceeds were diverted to the general fund; 2) fund balances replaced general fund in DNRC; and 3) grants and some interest allocations were adjusted to “replenish” the reclamation and development account. In addition, the legislature appropriated excess RIT fund balance. These changes were done through HB 9 and HB 10. Figure 1 illustrates the effects of HB 9 and HB10 on the RIT and related funds



HB 9 made the following changes to the RIT and related funding

- Transferred funds from the RIT trust to the reclamation and development grants account - \$1.0 million
- Reduced a grant to DNRC for soil cleanup at Reliance refinery - \$466,752
- Eliminated a grant to DEQ for the Gregory mine reclamation project - \$300,000
- Reduced a capital improvement grant to FWP for Future Fisheries projects - \$150,000
- Changed RIT interest distribution percentages
- Immediately transferred \$1,000 from the orphan share account into the general fund with an additional \$999,000 being transferred on June 29, 2003 if sufficient funds remain in the fund
- Transferred \$300,000 from the RIT trust for the purpose of weed eradication

HB 10 made the following changes to the RIT and related funding

- Diverted the applicable portion of oil and gas taxes from the orphan share and reclamation and development accounts into the general fund - \$1.2 million
- Diverted the 7 percent portion of the metalliferous mines tax from the reclamation and development account into the general fund - \$383,310

Legislative Impacts on the Resource Indemnity Trust (RIT)

Figure 2 shows the details of RIT proceeds, interest earnings, and related expenditure accounts for the 2003 biennium with bolded items illustrating changes made by the legislature.

Figure 2
Resource Indemnity Trust (RIT): Proceeds, Interest Earnings, and Related Expenditure Accounts
2003 Biennium Projections (Including Executive Special Session Proposals After Trust Reaches \$100 Million)

1								
RIT Revenues (RATC estimates)	<u>Fiscal 1997</u>	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	
Projected Beginning Balance FY 2003								\$101,056,874
Adjust Fund balance to Reflect Actual								<u>\$1,008,779</u>
RIT Trust Balance (Fiscal 2002 Ending Fund Balance)								<u>\$102,065,654</u>
RIGWAT Coal, Oil, Natural Gas Proceeds	\$1,431,779	\$997,607	\$900,648	\$3,396,285	\$1,570,000	\$1,452,000		\$0
RIGWAT Error Adjustments	0	0	0	0	(1,841,653)			
DNRC Funding Switch with General Fund								<u>(1,000,000)</u>
Weed Eradication								<u>(300,000)</u>
Legislative Changes -- Water Treatment (\$540K)						0		(540,000)
Legislative Changes -- Clark Fork River Study								(120,000)
Legislative Changes -- Subdivisions, Cons. Dist., Irrigation grants						0		<u>(100,000)</u>
Total Deposits/Legislative Changes	\$1,431,779	\$997,607	\$900,648	\$3,396,285	(\$271,653)	\$1,452,000		(\$2,060,000)
Trust Balance (\$100 million floor)*	\$94,581,987	\$95,579,594	\$96,480,242	\$99,876,527	\$99,604,874	\$101,056,874		\$100,005,654
2								
RIGWA and Oil and Gas Tax (RATC estimates)	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Biennium Total</u>				
RIGWA Tax	\$3,140,000	\$2,904,000	\$2,809,000	\$5,713,000				
<u>Statutory Allocations -- RIGWA</u>								
Groundwater Assessment Account-direct (02289)	300,000	300,000	366,000	666,000				
Reclamation & Development-50% of Remainder (02458)	635,000	135,000	392,500	527,500				
Natural Resource Worker Scholarship			150,000	150,000				
Orphan Share Account- Remainder of RIGWA (02472)	<u>635,000</u>	<u>135,000</u>	<u>242,500</u>	<u>377,500</u>				
TOTAL RIGWA STATUTORY ALLOCATIONS	1,570,000	570,000	1,151,000	1,721,000				
Applicable Oil and Gas Tax								
<u>Statutory Allocations -- Applicable Portion of Oil and Gas</u>								
Coal Bed Methane Protection			400,000	400,000				
Orphan Share Account-50% of Remainder (02472)		441,000	0	441,000				
Reclamation & Development-50% of Remainder (02458)		441,000	0	441,000				
TOTAL Oil and Gas STATUTORY ALLOCATIONS		882,000	400,000	1,282,000				
Resource Indemnity Trust (09003)-50% of RIGWA & Oil and Gas	<u>1,570,000</u>	<u>1,452,000</u>	<u>0</u>	<u>1,452,000</u>				
TOTAL OIL AND GAS STATUTORY ALLOCATIONS	\$1,570,000	\$2,904,000	\$1,551,000	\$4,455,000				
3								
RIT Interest Earnings (RATC estimates)	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Biennium Total</u>				
Priority Statutory Allocations of Interest	\$7,467,000	\$7,582,000	\$7,609,000	\$15,191,000				
Environmental Contingency Account (02107)**	0	(175,000)	0	(175,000)				
Oil & Gas Prod. Damage Mitigation Account (02010)***	0	(50,000)	0	(50,000)				
Water Storage Account (02216)	0	(500,000)	0	(500,000)				
Groundwater Assessment Account-direct (02289)	(300,000)	(300,000)	(300,000)	(600,000)				
MSU-Northern Statutory Appropriation (02272)	(240,000)	(240,000)	(240,000)	(480,000)				
Fish, Wildlife, and Parks -- Future Fisheries (02022)	0	(500,000)	(350,000)	(850,000)				
Renewable Resource Grant & Loan Program (02272)	(2,000,000)	(2,000,000)	(2,000,000)	(4,000,000)				
Reclamation & Development Grants (grants) (02458)	(1,500,000)	(1,500,000)	(1,200,000)	(2,700,000)				
Total Allocations	(\$4,040,000)	(\$5,265,000)	(\$4,090,000)	(\$9,355,000)				
Amount Available for Further Distribution	\$3,427,000	\$2,317,000	\$3,519,000	\$5,836,000				

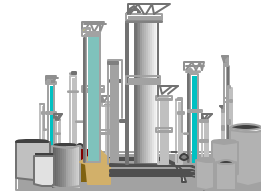


Figure 2 (Continued)

Related Expenditure Accounts (2003 biennium totals)	Renewable Resource (02272)	Reclamation & Development (02458)	Hazardous Waste/CERCLA (02070)	Environmental Quality Protect. (02162)	Groundwater Assessment (02289)****	Water Storage (02216)	Orphan Share (02472)
Further Distribution % of RIT Interest	25.5%	45%	22%	7.5%	0%	0%	0%
Available Fund Balance Beginning FY2002	\$990,036	\$1,387,805	\$516,018	\$572,571	\$252,454	\$727,144	\$4,302,508
Prior Year Grant Reductions -- August 2002 Special Session		\$466,752					
Adjusted Available Fund Balance Beginning FY2002	\$990,036	\$1,854,557	\$516,018	\$572,571	\$252,454	\$727,144	\$4,302,508
Revenues (RATC, agency estimates)							
RIT Interest-direct	\$4,480,000	\$2,700,000			\$600,000	\$500,000	
RIT Interest-further allocation by above %	1,488,180	2,626,200	1,283,920	437,700			
RIGWAT Proceeds		968,500			666,000		818,500
Metal Mines Tax (7%)		401,776					465,448
Leg. Changes 02458 -- HB572, 02458 -- HB 572, SB 322, SB 484		(200,000)					(1,017,250)
Sweep of Excess Coal Tax & Interest (from 04011)	120,000						
STIP/Other Interest	160,000		68,000	22,000		10,000	92,000
Cost Recoveries				480,000			
Administrative Fees	26,000					9,000	
State-owned Project Revenue	-	-	-	-	-	225,400	-
Total Revenues	\$6,274,180	\$6,496,476	\$1,351,920	\$939,700	\$1,266,000	\$744,400	\$358,698
Executive Appropriations							
House Bills 6 and 7 Grants -- \$300k Reduciton SS	\$4,000,000	\$4,400,741					
House Bill 6-Emergency/Private Grants	225,000						
MSU-Northern (statutorily appropriated)	480,000						
UM-Bureau of Mines					\$1,266,000		
DNRC-Conservation and Resource Devel. Division	682,647	1,264,205					
DNRC-Water Resources Division						500,000	
DEQ-Planning, Prevention & Assistance			\$319,593				
DEQ-Enforcement		10,551		9,655			
DEQ-Remediation			500,275	1,744,839			3,552,003
DEQ-Permitting & Compliance		2,968,285	1,056,094				
Governor's Office-Flathead Basin Commission	99,020						
Judiciary-Water Court	1,348,650						
Library Commission-NRIS	379,056	335,467					
House Bill 13 (executive pay plan estimate)	12,615	90,686	42,613	38,707	-	-	-
Total Appropriations	\$7,226,988	\$9,069,935	\$1,918,575	\$1,793,201	\$1,266,000	\$500,000	\$3,552,003
Transfer to Reclamation and Development/General Fund		\$1,000,000					(1,000,000)
Projected 2003 Biennium Ending Balance	\$37,228	\$281,097	(\$50,637)	(\$280,930)	\$252,454	\$971,544	\$109,203

* Does not include unrealized investment gains or losses

** The governor must report on the expenditures from the environmental contingency account in the executive budget. Expenditures are statutorily appropriated.

*** Amounts are deposited to the oil & gas production damage mitigation account to bring the balance up to \$200,000 (82-11-161,MCA). All money in the account is statutorily appropriated.

**** Amounts are deposited to the groundwater assessment account to bring the balance up to \$666,000. Any excess goes to the RIT trust (85-2-905, MCA).

Figure 2 shows four elements of RIT. The first element shows the RIT revenues and trust balance for the past four fiscal years and Revenue and Taxation Committee (RATC) projections for fiscal years 2001 and 2002. The RATC estimates for 2003 have been adjusted to reflect the current RIT trust balance. As of 2002 fiscal year end, the RIT trust has a balance of approximately \$102.1 million.

Since the RIT reached the constitutionally mandated level of \$100 million, excess trust balance was available for transfer and appropriation. In the order of priority, the legislature has transferred and appropriated \$1 million has been transferred for a funding switch, \$300,000 for the purpose of weed eradication, \$540,000 for the purpose of purchasing securities for water treatment at the former Zortman and Landusky mines, \$120,000 for a Clark Fork River study, and up to \$100,000 for conservation and irrigation district grants. After these transfers, the RIT trust is estimated to be \$100 million.

The second element shows the statutory allocations of resource indemnity and ground water assessment taxes (RIGWA) and the applicable portion of the oil and gas tax. The RIGWA tax and the applicable portion of oil and gas taxes are distributed to a number of natural resource accounts.

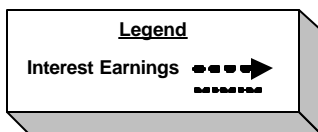
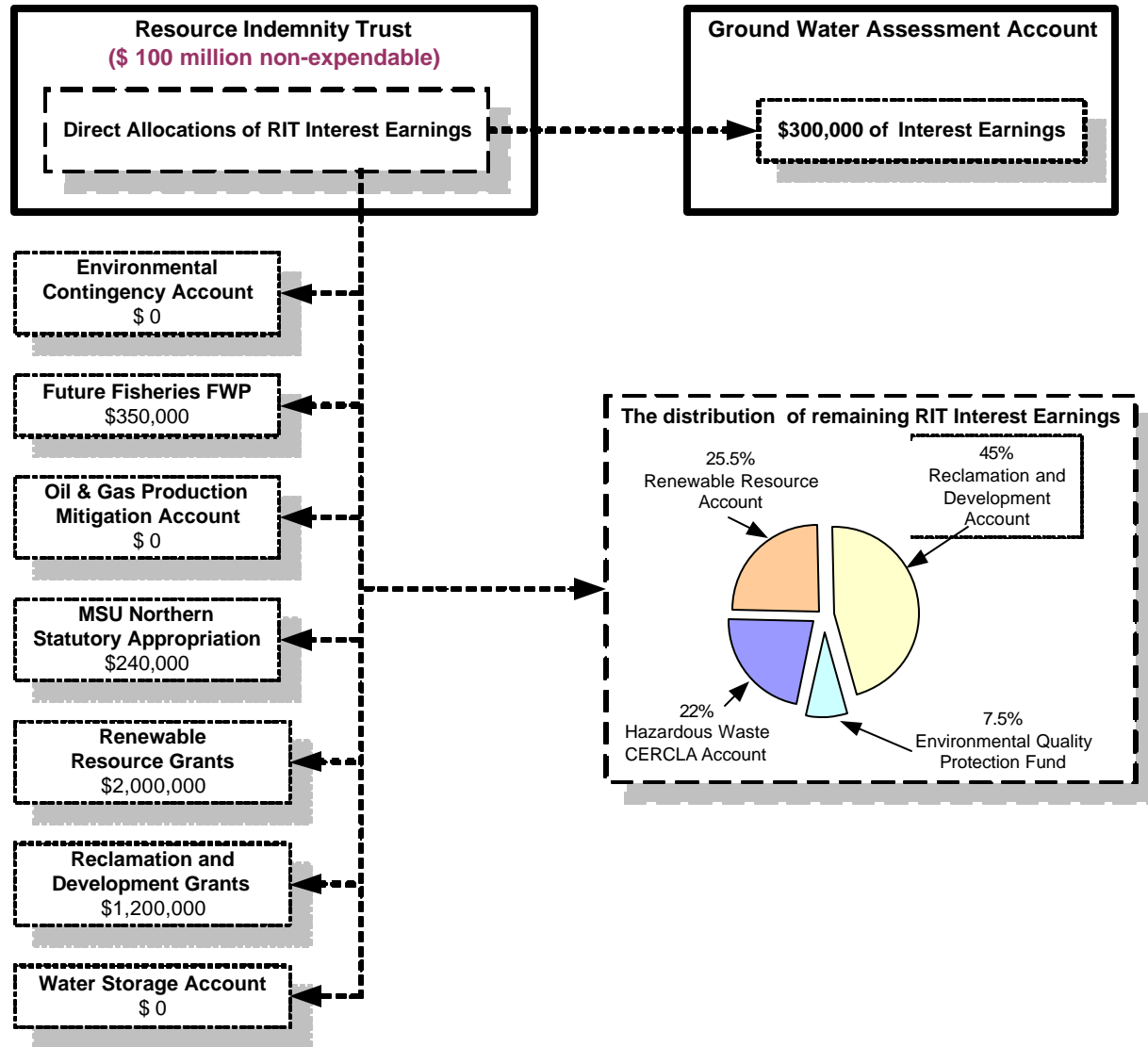
- RIGWA – The first \$366,000 is deposited into the ground water assessment account. Of the remainder, 50 percent is deposited into the reclamation and development account, \$150,000 into an account for natural resource worker scholarships, and the remainder into the orphan share account. The legislature did not change the allocation of RIGWA taxes.
- Applicable portion of oil and gas taxes – The first \$400,000 of the applicable portion of the oil and gas taxes are deposited into the coal bed methane protection account. Through HB 10, the legislature redirected the remainder of this money to the general fund. In fiscal 2003, this change resulted in a \$1.2 million gain to the general fund. Beginning in fiscal 2004, the remaining portion of applicable oil and gas taxes will return to the split between the reclamation and development account and the orphan share account.
- Metalliferous mines taxes – 7.0 percent of this funding source was redirected from its deposit to the reclamation and development account into the general fund. In fiscal 2003, the general fund gained approximately \$383,000 due to this one-time redirection. Beginning in fiscal 2004, this funding will return to the reclamation and development account

Trust Interest

The third element shows the amount of interest generated by the RIT and the amounts that are allocated by statute for specific purposes in the 2003 biennium. 15-38-202 MCA directs how interest from the RIT trust will be allocated. Driven by RATC estimates, \$15.2 million of interest is allocated to a number of sources.

The constitution does not restrict the spending of interest from the RIT. For the 2003 biennium, statute allocates \$9.4 million of the interest for eight purposes. Figure 3 illustrates the flow of interest from the RIT for fiscal 2003 and includes changes approved by the legislature.

Figure 3
Flow of RIT Interest Earnings, Fiscal 2003
After August 2002 Special Session



Updated by the LFD 05/07/2001

Legislative Fiscal Division



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After the direct allocations are made, the fourth element shows seven main accounts that receive RIT interest and other revenues. Through HB 9, the legislature changed the allocations of remaining RIT trust interest. After direct interest allocations are made, any interest remaining is now allocated as follows:

- 25.5 percent (previously 30 percent) to the renewable resource account, which funds programs in the Judiciary, Department of Natural Resources and Conservation, State Library Commission, MSU Northern, and the Governor's Office;
- 45 percent (previously 35 percent) to the reclamation and development account, which funds programs in the Department of Environmental Quality, Department of Natural Resources and Conservation, and the State Library Commission. This account also receives portions of the RIGWA and the applicable portion of oil and gas tax proceeds;
- 22 percent (previously 26 percent) to the hazardous waste/CERCLA account, which funds remediation activities in the Department of Environmental Quality; and
- 7.5 percent (previously 9 percent) to the environmental quality protection fund, which funds remediation activities in the Department of Environmental Quality.

Figure 4 on the following page shows a summary of legislative changes made to the RIT and the main RIT accounts

Figure 4
Resource Indemnity Trust (RIT)
Summary of Legislative Impacts to the RIT and Related Accounts
August 2002 Special Session

1

<u>Starting Projected RIT Trust Balance:</u>	\$	101,056,874
Adjust to Actual	\$ 1,008,779	
DNRC -- CARDD Funding Switch *	(1,000,000)	
Weed Eradication *	(300,000)	
Zortman Landusky Water Treatment	(540,000)	
Clark Fork River Study	(120,000)	
Conservation/Irrigation districts	(100,000)	
Impact to RIT Trust Balance	\$	(1,051,221)
<u>Ending Projected RIT Trust Balance</u>	<u>\$</u>	<u>100,005,653</u>

2

<u>RIT Direct Interest Allocations:</u>	<u>FY 2003</u>	<u>Reduction</u>	<u>Adjusted FY 2003</u>
	<u>Allocations</u>		<u>Allocations</u>
FWP -- Future Fisheries	\$ 500,000	\$ (150,000)	\$ 350,000
Reclamation and Development	<u>1,500,000</u>	<u>(300,000)</u>	<u>1,200,000</u>
Total Direct Interest Allocation Impacts	<u>\$ 2,000,000</u>	<u>\$ (450,000)</u>	<u>\$ 1,550,000</u>

3

<u>Other Legislative Changes -- Fiscal 2003 Impacts</u>	<u>Increases</u>	<u>Decreases</u>	<u>Affected Fund</u>
1997 Grant Reductions -- DNRC	\$ 466,752		Reclamation and Development
2001 Grant Reduction -- DEQ	300,000		Reclamation and Development
DNRC Funding Switch	1,000,000		Reclamation and Development
Interest Allocation Change -- HB 9	370,550		Reclamation and Development
Interest Allocation Change -- HB 9		(63,810)	Renewable Resource
Interest Allocation Change -- HB 9		(58,220)	Haz. Waste/CERCLA
Interest Allocation Change -- HB 9		(23,520)	Environmental Quality Protection
Metal Mines Tax	-	(383,310)	Reclamation and Development
Applicable Portion of Oil and Gas Taxes	-	(629,000)	Reclamation and Development
Applicable Portion of Oil and Gas Taxes		(629,000)	Orphan Share
Orphan Share Account	-	(1,000,000)	Orphan Share
<u>TOTAL</u>	<u>\$ 2,137,302</u>	<u>\$ (2,786,860)</u>	

* Indicates a change implemented during the Special Session

Agency Impacts

DNRC

Reclamation and Development Grant Reduction

In HB9, the Reliance Refinery Soils and Sludge Cleanup grant awarded in 1997 through HB7 will be reduced by \$466,752. Since a portion of the work on this project has been completed, \$115,548 will remain to pay costs already incurred. This reduction has the effect of increasing the balance in the reclamation and development account.

CARDD – Funding Switch

Because the RIT is capped at \$100 million, funds above this amount are available to use for improving the environment and cleanup costs. This change makes this funding available for other environment related projects. Through HB 9, the legislature directed that \$1 million of excess fund balance in the RIT trust be transferred into the reclamation and development account maintained by DNRC. A funding switch in HB2 would reduce the DNRC general fund appropriation by \$1 million and increase its state special revenue appropriation by the same amount to utilize the excess RIT transfer. Because the trust has reached \$100 million and statute dictates that no more proceeds will go into the trust, any money remaining in the trust above \$100 million is one-time in nature. Thus, this is a one-time transfer.

DEQ

In HB9, the Gregory Mine grant awarded in 2001 through HB7 will be eliminated. Although this funding source has been eliminated, DEQ has been able to secure federal funding and proceed with cleanup work at this site. The \$300,000 elimination has the effect of increasing the fund balance in the reclamation and development account.

FWP

HB 9 revises 15-38-202 (2)(v) MCA to reduce the RIT interest allocation for future fisheries projects by \$150,000. As approved, FWP has an RIT interest allocation of \$350,000 rather than \$500,000 in fiscal 2003 to complete Bull and Cutthroat trout enhancement projects as part of its Future Fisheries program. In addition to the RIT funding, the Future Fisheries program receives funding from the river restoration account and an earmarked portion of the general license account for related projects.

Agriculture

HB 9 changed 80-7-823 MCA and reduced the transfer of \$500,000 of excess RIT balance to be used for the control of noxious weeds to \$300,000, also reflected in a corresponding reduction to the HB 2 appropriation for the Department of Agriculture.

Executive Budget Comparison

The legislature approved a reduction in the shared coal tax distribution account in HB 10. Although the executive originally proposed a \$330,000 reduction, the legislature ultimately decided upon a \$50,000 reduction to conservation districts.

Language

- Language was added to HB 2 to reflect the general fund reductions for supplies, equipment, and total general fund budget. This language permits the department to allocate the reductions among applicable programs.
- Language was changed to clarify the distribution priority of the excess fund balance in the RIT.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department Nat Resource/Conservation Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 16,480,318	\$ 15,991,645	\$ 2,051,618	\$ 34,523,581
Original HB13-2001 Session	779,016	624,097	45,632	1,448,745
Total Fiscal 03 Legislative Appropriation	\$ 17,259,334	\$ 16,615,742	\$ 2,097,250	\$ 35,972,326
HB2 Special Session Action	(1,441,941)	950,000	-	(491,941)
Pay Plan Reduction	(155,803)	-	-	(155,803)
Revised Legislative Appropriation	\$ 15,661,590	\$ 17,565,742	\$ 2,097,250	\$ 35,324,582
17-7-140 Adjustments	(166,557)	-	-	(166,557)
Revised Fiscal 2003	<u>\$ 15,495,033</u>	<u>\$ 17,565,742</u>	<u>\$ 2,097,250</u>	<u>\$ 35,158,025</u>
Percent Reduction from 2001 Session	-10.2%	5.7%	0.0%	-2.3%

DEPARTMENT OF AGRICULTURE

Summary of Legislative Action

The legislature made the following adjustments (total reductions of \$20,125 general fund and \$393,000 state special revenue) to the department's fiscal 2003 appropriations:

Department of Agriculture Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 785,068	\$ 764,943	\$ (20,125)	-2.6%
State Special	8,647,014	8,254,014	(393,000)	-4.5%
Federal Special	637,742	637,742	-	0.0%
Other Funds	323,147	323,147	-	0.0%
Total	<u>\$ 10,392,971</u>	<u>\$ 9,979,846</u>	<u>\$ (413,125)</u>	<u>-4.0%</u>

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$7,848
- Reduced the fiscal 2003 general fund equipment appropriation by 66.7 percent (2/3) - \$9,069
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,208
- Reduced the fiscal 2003 state special revenue appropriation for Growth Through Agriculture by \$193,000. Funding for this appropriation is from the Coal Severance Tax Shared State Special Revenue Account. This reduction implements HB 10, which reduces the allocation of Coal Severance Taxes into the shared account from 8.36 percent to 6.01 percent.
- Reduced the one-time-only state special revenue appropriation for pass-through weed district grants by \$200,000. This reduction implements HB 9, which reduces the one-time-only transfer from the Resource Indemnity Trust (RIT) for the weed grants from \$500,000 to \$300,000.

Other Legislation

The legislature passed the following legislation during the August 2002 Special Session:

HB 9, among other things, amends 80-7-823 MCA to reduce the one-time transfer from the RIT from \$500,000 to \$300,000. As referenced in *Summary of Legislative Action* above, the state special revenue appropriation in HB2 was reduced accordingly.

HB 10 affects the Department of Agriculture in two ways:

- 1) Reduces the allocation of Coal Severance Taxes into the Coal Severance Tax Shared State Special Revenue Account from 8.36 percent to 6.01 percent. This reduction is accommodated by reductions to the appropriations from this account, including a reduction in the Growth Through Agriculture appropriation of \$193,000, a reduction of approximately 50 percent; and
- 2) Reduces the Growth Through Agriculture fiscal 2003 statutory appropriation from \$1.25 million to \$925,000. The appropriation is not reduced for fiscal 2004 or 2005.

Executive Budget Comparison

The legislature made several changes from the executive proposal, including:

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$7,848
- Reduced the fiscal 2003 general fund equipment appropriation by 66.7 percent (2/3) - \$9,069
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,208
- Modified the reduced allocation of Coal Severance Taxes to the shared account to make it effective for fiscal 2003 only. The Executive proposal would have reduced the allocation for fiscal 2004 and 2005, also.
- Increased the Growth Through Agriculture fiscal 2003 statutory appropriation from \$750,000 to \$925,000. The appropriation will remain at \$1.25 million for fiscal 2004 and 2005.
- Amended HB 9 to include a one-time-only transfer of \$300,000 from the RIT to the Department of Agriculture for distribution to the weed districts. The original transfer and corresponding state special revenue appropriation were for \$500,000. The executive proposal would have eliminated both the transfer and the state special revenue appropriation.

Language

“Item [Central Management Division] includes a reduction in fiscal year 2003 of \$3,208 in general fund money and represents the equivalent of 25% of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Central Management Division] includes a reduction of \$9,069 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 66.67% reduction in the fiscal year 2003 budget for equipment expenses. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [Central Management Division] includes a reduction of \$7,848 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 1% reduction in the fiscal year 2003 budget for the agency. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [SB 326 -- Weed Control Program] contains a \$300,000 appropriation in fiscal year 2003 from state special revenue funds that are to be transferred from the Resource Indemnity Trust fund. The \$300,000 appropriation is contingent upon the Governor’s certification that the trust balance is in excess of \$100 million. If the contingency is met in fiscal year 2003, the Office of Budget and Program Planning is authorized to transfer the \$300,000 in cash from the Resource Indemnity Trust Fund to a state special revenue fund to be used for this purpose.”

“Item [Agricultural Development Division] includes a reduction of \$193,000 in state special revenue, which is contingent upon passage and approval of House Bill No. 10, August 2002 Special Session.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Agriculture Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 785,068	\$ 8,647,014	\$ 637,742	\$ 323,147	\$ 10,392,971
Original HB13-2001 Session	<u>39,099</u>	<u>227,513</u>	<u>13,126</u>	<u>15,711</u>	<u>295,449</u>
Total Fiscal 03 Legislative Appropriation	\$ 824,167	\$ 8,874,527	\$ 650,868	\$ 338,858	\$ 10,688,420
HB2 Special Session Action	(20,125)	(393,000)	-	-	(413,125)
Pay Plan Reduction	<u>(7,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,820)</u>
Revised Legislative Appropriation	\$ 796,222	\$ 8,481,527	\$ 650,868	\$ 338,858	\$ 10,267,475
17-7-140 Adjustments	(88,600)	-	-	-	(88,600)
Revised Fiscal 2003	<u>\$ 707,622</u>	<u>\$ 8,481,527</u>	<u>\$ 650,868</u>	<u>\$ 338,858</u>	<u>\$ 10,178,875</u>
Percent Reduction from 2001 Session	-14.1%	-4.4%	0.0%	0.0%	-4.8%

DEPARTMENT OF COMMERCE

Summary of Legislative Action

The legislature made the following adjustments (total reductions of \$22,255 general fund and \$185,000 state special revenue) to the department's fiscal 2003 appropriations:

Department of Commerce Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 1,742,041	\$ 1,719,786	\$ (22,255)	-1.3%
State Special	3,130,585	2,945,585	(185,000)	-5.9%
Federal Special	68,631,076	68,631,076	-	0.0%
Total	\$ 73,503,702	\$ 73,296,447	\$ (207,255)	-0.3%

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$17,419
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$4,836
- Reduced the fiscal 2003 state special revenue appropriation for Coal Board Grants by \$185,000. Funding for this appropriation is from the Coal Severance Tax Shared State Special Revenue Account. This reduction implements HB 10, which reduces the allocation of Coal Severance Taxes into the shared account from 8.36 percent to 6.01 percent.

Other Legislation

The legislature passed the following legislation during the August 2002 Special Session:

HB 5 reduces the statutory transfer of general fund into the Research and Commercialization Special Revenue Account from \$4.85 million each year to \$3.165 million in fiscal 2003 and \$3.65 million in fiscal 2004 and 2005. This constitutes a \$1.2 million reduction each year, in addition to a \$485,000 reduction in fiscal 2003 to implement the Governor's previously-ordered reductions.

HB 8 statutorily appropriates \$198,575 of accommodations tax funding to the Montana Arts Council. This funding is a one-time-only fiscal 2003 appropriation, and is to come from the 67.5 percent of accommodations tax allocated to the Department of Commerce.

HB 10 affects the Department of Commerce in two ways:

- 3) Reduces the allocation of Coal Severance Taxes into the Coal Severance Tax Shared State Special Revenue Account from 8.36 percent to 6.01 percent. This reduction is accommodated by reductions to the appropriations from this account, including a reduction in the Coal Board appropriation of \$185,000, a reduction of approximately 30 percent when combined with the Governor's previously ordered spending reductions; and
- 4) Eliminates the fiscal 2003 statutory appropriation of \$425,000 for the Certified Communities Program. The appropriation is not reduced for fiscal 2004 or 2005.

HB 18 directs a one-time-only transfer of \$1.7 million of accommodations taxes into the general fund. This transfer must take place before the remaining taxes are allocated to the Department of Commerce, Department of Fish, Wildlife, and Parks, Montana Historical Society, and local and regional Convention and Visitors Bureaus.

Executive Budget Comparison

The legislature made several changes from the executive proposal, including:

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$17,419
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$4,836
- Modified the reduced allocation of Coal Severance Taxes to the shared account to make it effective for fiscal 2003 only. The Executive proposal would have reduced the allocation for fiscal 2004 and 2005, also.
- Decreased the reduction to Coal Board Local Impact grants from \$435,000 to \$185,000
- Did not accept/implement proposed general fund to accommodations tax funding switches within the Department of Fish, Wildlife, and Parks, Montana Historical Society, Montana Arts Council, and the Museum of the Rockies. Instead, HB 18 modifies statute for fiscal 2003 only to direct a one-time transfer of \$1.7 million from the accommodations tax account into the general fund. As referenced above, HB 8 statutorily appropriates accommodations tax funding to the Montana Arts Council in fiscal 2003 only.

Language

“It is the intent of the legislature that the money allocated in item [Board of Research and Commercialization] to the Board of Research and Commercialization and other money allocated to the board from statutory appropriations and other sources be allocated by the board in a manner that gives preferences to applications that advance projects that have a positive impact on homeland security technologies, such as the R.A.V.E project that is developing and commercializing technologies for national airport security and is using Montana airports as pilot projects and Montana companies as vendors.”

“Item [Economic Development Division] includes a reduction of \$17,419 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 1% reduction in the fiscal year 2003 budget for the agency. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [Community Development Division] includes a reduction in fiscal year 2003 of \$4,836 in general fund money and represents the equivalent of 25% of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Community Development Division] includes a reduction of \$185,000 in state special revenue, which is contingent upon passage and approval of House Bill No. 10, August 2002 Special Session.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Commerce Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 1,742,041	\$ 3,130,585	\$ 68,631,076	\$ 73,503,702
Original HB13-2001 Session	92,014	23,049	74,568	189,631
Total Fiscal 03 Legislative Appropriation	\$ 1,834,055	\$ 3,153,634	\$ 68,705,644	\$ 73,693,333
HB2 Special Session Action	(22,255)	(185,000)	-	(207,255)
Pay Plan Reduction	(18,403)	-	-	(18,403)
Revised Legislative Appropriation	\$ 1,793,397	\$ 2,968,634	\$ 68,705,644	\$ 73,467,675
17-7-140 Adjustments	(573,453)	(194,844)	-	(768,297)
Revised Fiscal 2003	<u>\$ 1,219,944</u>	<u>\$ 2,773,790</u>	<u>\$ 68,705,644</u>	<u>\$ 72,699,378</u>
Percent Reduction from 2001 Session	-33.5%	-12.0%	0.0%	-1.3%

CRIME CONTROL DIVISION

Summary of Legislative Action

Legislative action results in a decrease of \$22,213 general fund in fiscal 2003. The legislature made the following adjustments to the fiscal 2003 appropriations:

Crime Control Division Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 1,806,831	\$ 1,784,618	\$ (22,213)	-1.2%
Federal Special	<u>10,118,569</u>	<u>10,118,569</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 11,925,400</u>	<u>\$ 11,903,187</u>	<u>\$ (22,213)</u>	<u>-0.2%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$2,571
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$1,575
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$18,067

Other Legislation

None

Executive Budget Comparison

The Executive Budget did not contain any HB 2 reductions or additions for the Crime Control Division other than the global reduction to the pay plan and the hiring freeze (see the Overview Section for further information).

Language

Language was added to allow the division to reallocate the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Crime Control Division Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	General Fund	Federal Special	Total Funds
Original HB2-2001 Session	\$ 1,806,831	\$ 10,118,569	\$ 11,925,400
Original HB13-2001 Session	37,318	14,992	52,310
Total Fiscal 03 Legislative Appropriation	\$ 1,844,149	\$ 10,133,561	\$ 11,977,710
HB2 Special Session Action	(22,213)	-	(22,213)
Pay Plan Reduction	(7,464)	-	(7,464)
Revised Legislative Appropriation	\$ 1,814,472	\$ 10,133,561	\$ 11,948,033
17-7-140 Adjustments	(184,415)	-	(184,415)
Revised Fiscal 2003	<u>\$ 1,630,057</u>	<u>\$ 10,133,561</u>	<u>\$ 11,763,618</u>
Percent Reduction from 2001 Session	-11.6%	0.0%	-1.8%

DEPARTMENT OF JUSTICE

Summary of Legislative Action

Legislative action results in a \$702,513 reduction in general fund in fiscal 2003. The general fund adjustments include:

Department of Justice Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 23,425,984	\$ 16,086,671	\$ (7,339,313)	-31.3%
State Special	22,149,115	28,785,914	6,636,799	30.0%
Federal Special	3,850,049	3,850,050	1	0.0%
Other Funds	636,796	636,796	-	0.0%
Total	<u>\$ 50,061,944</u>	<u>\$ 49,359,431</u>	<u>\$ (702,513)</u>	<u>-1.4%</u>

- Increase for development of an Amber Alert System, so law enforcement can be alerted in the event of an abduction - \$75,000
- Reduction due to incorporation of the 17-7-140, MCA, reductions into HB 2. (The 17-7-140 reductions originally included a \$40,000 reduction to the Child Protective Services program. The department made an agreement with the Office of Budget and Program Planning to reduce carry-forward funds from fiscal 2001 by \$40,000 to offset the Child Protective Services reduction.) - \$631,239
- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$31,972
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3. The legislature exempted the Forensic Sciences Division from the reduction as the division's equipment budget had already been reduced by \$40,000 in the 17-7-140, MCA, reductions. - \$58,505
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$151,846
- Replaced \$6.5 million of general fund for the Motor Vehicle Division with \$6.6 million of highway state special revenue. Language was added specifying that the fund were not constitutionally restricted (see below).

Other Legislation

None.

Executive Budget Comparison

The legislature reduced general fund by \$7.3 million and increased state special revenue by \$6.6 million. The majority of the reduction, \$6.5 million in general fund, is the result of a fund switch with highways state special revenue. The Executive Budget contained a one-time fund switch for the Motor Vehicle Division to replace \$8.2 million in general fund with \$8.3 million in highway state special revenue. (The increased amount included the HB 13 allocation and reallocation of the regular session HB 2 agency wide reductions of travel and the imposition of an additional 1 percent general fund vacancy savings.) The legislature provided a smaller fund switch by funding the division in fiscal 2003 with \$1.7

million general fund and \$6.6 million in non-restricted highway state special revenue. By reducing the amount of the highways state special revenue appropriation to \$6.6 million, the legislature was able to ascertain that the funds would be provided by the non-restricted account and not use funds that are restricted to certain purposes by the Montana constitution. Language was also included in HB 2 to insure that the \$6.6 million is non-restricted highways state special revenue funds.

The remaining decrease of \$0.8 million was the result of:

- \$242,323 - global amendments to reduce supplies, equipment and a 1 percent reduction
- \$631,239 - 17-7-140, MCA, reductions included in HB 2.

Language

“Fiscal year 2003 state special revenue in item [Motor Vehicle Division] includes \$6,636,799 of the fund balance from revenue sources not restricted to certain purposes by the Montana constitution.”

“It is the intent of the legislature that the agency not use general fund money in item [Division of Criminal Investigation] for the purchase of new or replacement automobiles unless an existing vehicle becomes inoperable to the point at which replacement is warranted.”

In addition, language was added to allow the department to reallocate the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Justice Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 23,425,984	\$ 22,149,115	\$ 3,850,049	\$ 636,796	\$ 50,061,944
Original HB13-2001 Session	<u>906,461</u>	<u>916,671</u>	<u>87,748</u>	<u>147,039</u>	<u>2,057,919</u>
Total Fiscal 03 Legislative Appropriation	\$ 24,332,445	\$ 23,065,786	\$ 3,937,797	\$ 783,835	\$ 52,119,863
HB2 Special Session Action	(7,339,313)	6,636,799	1	-	(702,513)
Pay Plan Reduction	(112,255)	-	-	-	(112,255)
Revised Legislative Appropriation	\$ 16,880,877	\$ 29,702,585	\$ 3,937,798	\$ 783,835	\$ 51,305,095
17-7-140 Adjustments*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revised Fiscal 2003	<u>\$ 16,880,877</u>	<u>\$ 29,702,585</u>	<u>\$ 3,937,798</u>	<u>\$ 783,835</u>	<u>\$ 51,305,095</u>
Percent Reduction from 2001 Session	-30.6%	28.8%	0.0%	0.0%	-1.6%
*Ordered reductions of \$631,239 included in the HB 2 reductions above					

PUBLIC SERVICE REGULATION

Summary of Legislative Action

The Public Service Regulation is funded primarily with state special revenue and a small amount of federal funds. Therefore, legislative action did not result in any reductions to the agency.

Public Service Regulation Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
State Special	2,505,912	2,505,912	-	0.0%
Federal Special	<u>13,666</u>	<u>13,666</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 2,519,578</u>	<u>\$ 2,519,578</u>	<u>\$ -</u>	<u>0.0%</u>

Other Legislation

SB 26 transfers 10 percent of the balance of the Montana Universal Access account on the effective date of the bill to the general fund and 90 percent to the Department of Public Health and Human Services to provide social services.

Executive Budget Comparison

The Executive Budget did not contain any HB 2 reductions or additions for the Crime Control Division other than the global reduction to the pay plan and the hiring freeze (see the Overview Section for further information).

Language

None

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Public Service Regulation Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 2,505,912	\$ 13,666	\$ 2,519,578
Original HB13-2001 Session	111,905	527	112,432
Total Fiscal 03 Legislative Appropriation	\$ 2,617,817	\$ 14,193	\$ 2,632,010
HB2 Special Session Action	-	-	-
Pay Plan Reduction	-	-	-
Revised Legislative Appropriation	\$ 2,617,817	\$ 14,193	\$ 2,632,010
17-7-140 Adjustments	-	-	-
Revised Fiscal 2003	<u>\$ 2,617,817</u>	<u>\$ 14,193</u>	<u>\$ 2,632,010</u>
Percent Reduction from 2001 Session	0.0%	0.0%	0.0%

DEPARTMENT OF CORRECTIONS

Summary of Legislative Action

Legislative action results in a decrease of \$330,336 in general fund in fiscal 2003. The legislature made the following adjustments to the fiscal 2003 appropriations:

Department of Corrections Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 97,420,371	\$ 97,090,035	\$ (330,336)	-0.3%
State Special	1,727,843	1,727,843	-	0.0%
Federal Special	985,955	985,955	-	0.0%
Other Funds	583,422	583,422	-	0.0%
Total	<u>\$ 100,717,591</u>	<u>\$ 100,387,255</u>	<u>\$ (330,336)</u>	<u>-0.3%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal year 2002 - \$111,748
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$218,589

The reductions were made to the Administration and Support Services program with the allowance that the department could reallocate these reductions among programs when developing fiscal year 2003 operating plans. The 1 percent across-the-board reduction was not imposed on the department.

Other Legislation

None

Executive Budget Comparison

The Executive Budget did not contain any HB 2 reductions or additions for the department other than the global reduction to the pay plan and the hiring freeze (see the Overview Section for further information).

Language

“The legislature encourages the department to use the authority that it possesses under current statute to allow early discharge of offenders subject to the jurisdiction of the department for the purpose of relieving the projected cost overrun caused by high prison populations.”

“It is the intent of the legislature that the agency not use general fund money in items [Community Corrections] and [Secure Facilities] for the purchase of new or replacement automobiles unless an existing vehicle becomes inoperable to the point at which replacement is warranted.”

In addition, language was added to allow the department to reallocate the reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Corrections Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 97,420,371	\$ 1,727,843	\$ 985,955	\$ 583,422	\$ 100,717,591
Original HB13-2001 Session	<u>2,880,043</u>	<u>-</u>	<u>-</u>	<u>11,607</u>	<u>2,891,650</u>
Total Fiscal 03 Legislative Appropriation	\$ 100,300,414	\$ 1,727,843	\$ 985,955	\$ 595,029	\$ 103,609,241
HB2 Special Session Action	(330,336)	-	-	-	(330,336)
Pay Plan Reduction	<u>(576,009)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(576,009)</u>
Revised Legislative Appropriation	\$ 99,394,069	\$ 1,727,843	\$ 985,955	\$ 595,029	\$ 102,702,896
17-7-140 Adjustments	(2,147,533)	-	-	-	(2,147,533)
Revised Fiscal 2003	<u>\$ 97,246,536</u>	<u>\$ 1,727,843</u>	<u>\$ 985,955</u>	<u>\$ 595,029</u>	<u>\$ 100,555,363</u>
Percent Reduction from 2001 Session	-3.0%	0.0%	0.0%	0.0%	-2.9%

DEPARTMENT OF LABOR AND INDUSTRY

Summary of Legislative Action

The legislature made the following adjustments (total reduction of \$904,249 general fund and \$3,199,439 state special revenue; total increase of \$4,111,000 in federal special revenue) to the department's fiscal 2003 appropriations:

Labor & Industry Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 2,017,144	\$ 1,112,895	\$ (904,249)	-44.8%
State Special	23,310,732	20,111,293	(3,199,439)	-13.7%
Federal Special	34,978,240	39,089,240	4,111,000	11.8%
Other Funds	59,651	59,651	-	0.0%
Total	<u>\$ 60,365,767</u>	<u>\$ 60,373,079</u>	<u>\$ 7,312</u>	<u>0.0%</u>

- 9) Reduced the fiscal 2003 general fund appropriation by 1 percent - \$10,876
- 10) Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,582
- 11) Reduced general fund by \$889,791, reduced state special revenue authority by \$3,199,439, and increased federal special revenue authority by \$4,111,000. These changes implemented a funding switch comprised of two parts:
 - 1) Federal Reed Act funding will replace \$4,111,000 of Employment Security Account (ESA) funding within the Department of Labor and Industry; and
 - 2) The freed-up ESA funding will replace general fund within the Departments of Labor and Industry (\$911,561 including pay plan), Military Affairs (\$1,123,240 including pay plan), and Public Health and Human Services (\$1,965,199), and will also be added to the Montana School for the Deaf and Blind (\$111,000 in ESA funding only -- not a direct funding switch, but will offset general fund reductions). Programs within the Department of Labor and Industry to have general fund replaced with ESA funding are: Jobs for Montana's Graduates, Job Registry, Displaced Homemaker, and Apprentice and Training.

Other Legislation

No other legislation specifically affecting the Department of Labor and Industry was passed during the special session.

Executive Budget Comparison

The legislature made several changes from the executive proposal, including:

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$10,876
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,582
- Increased the state special revenue to federal special revenue funding switch by \$111,000 to accommodate a state special revenue increase within the Montana School for the Deaf and Blind.

Language

“Item [Job Service Division] includes a \$672,609 reduction in general fund money for fiscal year 2003 for the Job Service Division to be replaced by Employment Security Account state special revenue funds in the amount of \$691,796 administered by the department. The increased amount includes the House bill No. 13, Chapter 553, Laws of 2001, allocation. Item [Job Service Division] also includes a \$4,111,000 reduction in the Employment Security Account state special revenue funds to be replaced by “Reed Act” (a part of the Employment Security Administrative Financing Act of 1954) federal special revenue funds.”

“Item [Job Service Division] includes a reduction in fiscal year 2003 of \$3,582 in general fund money and represents the equivalent of 25% of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Displaced Homemaker Program] includes a \$217,182 reduction in general fund money for fiscal year 2003 for the Displaced Homemaker Program to be replaced by Employment Security Account state special revenue funds in the amount of \$219,765 administered by the department. The increased amount includes the House Bill No. 13, Chapter 553, Laws of 2001, allocation.”

“Item [Employment Relations Division] includes a reduction of \$10,876 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 1% reduction in the fiscal year 2003 budget for the agency. The agency may reallocate this reduction in funding among program in its fiscal year 2003 operating plans.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Labor & Industry
Fiscal 2003 Agency Funding Adjustments

<u>HB 2 & 13 + Adjustments</u>	<u>General Fund</u>	<u>State Special</u>	<u>Federal Special</u>	<u>Other Funds</u>	<u>Total Funds</u>
Original HB2-2001 Session	\$ 2,017,144	\$ 23,310,732	\$ 34,978,240	\$ 59,651	\$ 60,365,767
Original HB13-2001 Session	<u>71,048</u>	<u>1,265,815</u>	<u>438,645</u>	<u>2,635</u>	<u>1,778,143</u>
Total Fiscal 03 Legislative Appropriation	\$ 2,088,192	\$ 24,576,547	\$ 35,416,885	\$ 62,286	\$ 62,143,910
HB2 Special Session Action	(904,249)	(3,199,439)	4,111,000	-	7,312
Pay Plan Reduction	<u>(14,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,210)</u>
Revised Legislative Appropriation	\$ 1,169,733	\$ 21,377,108	\$ 39,527,885	\$ 62,286	\$ 62,137,012
17-7-140 Adjustments	(140,193)	-	-	-	(140,193)
Revised Fiscal 2003	<u>\$ 1,029,540</u>	<u>\$ 21,377,108</u>	<u>\$ 39,527,885</u>	<u>\$ 62,286</u>	<u>\$ 61,996,819</u>
Percent Reduction from 2001 Session	-50.7%	-13.0%	11.6%	0.0%	-0.2%

DEPARTMENT OF MILITARY AFFAIRS

Summary of Legislative Action

The legislature made the following adjustments (total general fund decrease of \$1,130,693; total state special revenue increase of \$1,123,240) to the department's fiscal 2003 appropriations:

Department of Military Affairs Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 4,139,609	\$ 3,008,916	\$ (1,130,693)	-27.3%
State Special	406,011	1,529,251	1,123,240	276.7%
Federal Special	<u>8,852,179</u>	<u>8,852,179</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 13,397,799</u>	<u>\$ 13,390,346</u>	<u>\$ (7,453)</u>	<u>-0.1%</u>

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$30,210
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,735
- Reduced the fiscal 2003 general fund equipment appropriation by 66.7 percent (2/3) - \$13,389
- Reduced general fund by \$1,083,359 and increased state special revenue authority by \$1,123,240 (includes pay plan amount) to effect a fund switch in the Youth Challenge Program. For more information on this fund switch, please reference the "Summary of Legislative Action" write-up within the Department of Labor and Industry.

Other Legislation

No other legislation specifically affecting the Department of Military Affairs was passed during the special session.

Executive Budget Comparison

The legislature made several changes from the executive proposal, including:

- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$30,210
- Reduced the fiscal 2003 general fund appropriation by an amount equal to 25 percent of general fund office supplies expenditures - \$3,735
- Reduced the fiscal 2003 general fund equipment appropriation by 66.7 percent (2/3) - \$13,389

Language

"Item [Youth Challenge Program] includes a \$1,083,359 reduction in general fund money in fiscal year 2003 for the Youth Challenge Program to be replaced by Employment Security Account state special revenue funds in the amount of \$1,123,240, which are administered by the Department of Labor and Industry. The increased amount includes the House Bill No. 13, Chapter 553, Laws of 2001, allocation."

“Item [Army National Guard Program] includes a reduction in fiscal year 2003 of \$3,735 in general fund money and represents the equivalent of 25% of office supplies expenditures funded with general fund money in fiscal year 2002. The department may reallocate this reduction in funding among programs when developing fiscal year 2003 operating plans.”

“Item [Army National Guard Program] includes a reduction of \$13,389 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 66.67% reduction in the fiscal year 2003 budget for equipment expenses. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

“Item [Army National Guard Program] includes a reduction of \$30,210 in fiscal year 2003 of general fund money. This reduction is the equivalent of a 1% reduction in the fiscal year 2003 budget for the agency. The agency may reallocate this reduction in funding among programs in its fiscal year 2003 operating plans.”

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Department of Military Affairs Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 4,139,609	\$ 406,011	\$ 8,852,179	\$ 13,397,799
Original HB13-2001 Session	160,753	3,518	268,647	432,918
Total Fiscal 03 Legislative Appropriation	\$ 4,300,362	\$ 409,529	\$ 9,120,826	\$ 13,830,717
HB2 Special Session Action	(1,130,693)	1,123,240	-	(7,453)
Pay Plan Reduction	(32,151)	-	-	(32,151)
Revised Legislative Appropriation	\$ 3,137,518	\$ 1,532,769	\$ 9,120,826	\$ 13,791,113
17-7-140 Adjustments	(172,939)	-	-	(172,939)
Revised Fiscal 2003	<u>\$ 2,964,579</u>	<u>\$ 1,532,769</u>	<u>\$ 9,120,826</u>	<u>\$ 13,618,174</u>
Percent Reduction from 2001 Session	-31.1%	274.3%	0.0%	-1.5%

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION

Summary of Legislative Action

The legislature reduced the OPI administration program by a total of \$185,067 in HB 2. HB 3 reduced OPI administration by an additional \$37,510 and reflects the pay plan reduction. The legislature reduced the distribution to school districts by \$6.57 million in HB 2, HB 4, HB 18 and SB 19. In HB 2, the legislature made the following adjustments to fiscal 2003 appropriations:

Office of Public Instruction Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 506,661,701	\$ 451,337,100	\$ (55,324,601)	-10.9%
State Special	6,014,178	5,231,178	(783,000)	-13.0%
Federal Special	108,342,447	108,342,447	-	0.0%
Other Funds	73,133	73,133	-	0.0%
Total	<u>\$ 621,091,459</u>	<u>\$ 564,983,858</u>	<u>\$ (56,107,601)</u>	<u>-9.0%</u>

- Reduced OPI administration general fund by \$128,896 to reflect the Governor's reductions under 17-7-140, MCA.
- Reduced OPI administration general fund by \$4,104 which represents the equivalent of 25 percent of office supplies expenditures in fiscal 2002.
- Reduced OPI administration general fund by \$25,067 which represents the equivalent of a 66.67 percent reduction in the fiscal 2003 budget for equipment expenses.
- Reduced National Board Certification stipends by \$27,000 to reflect the Governor's reductions under 17-7-140, MCA
- Reduced general fund BASE aid authority \$51,701,000 contingent upon passage and approval of both HB 7 and HB 4. HB 7 creates a new state special guarantee account into which is deposited interest and income from school lands (\$48.8 million). The account will be used to pay BASE aid beginning in fiscal 2003. HB 4 diverts timber revenue on school lands (\$2.9 million) into the guarantee account for two years. Both bills were approved.
- Reduced transportation general fund by \$388,534 to reflect the Governor's reductions under 17-7-140, MCA. This amount represents the transportation reversion expected in fiscal 2003.
- Reduced school facilities general fund by \$250,000 to reflect the Governor's reductions under 17-7-140, MCA. This amount reflects the school facilities reversion expected in fiscal 2003.
- Reduced the transfer from the general fund to the state special flex account by \$184,000 to reflect the Governor's reductions under 17-7-140, MCA.
- Reduced the transfer from the general fund to the state special flex account by \$2,616,000.
- Reduced authority in the state special flex account by \$783,000. The flex account includes \$4.1 million for distribution to districts and \$200,000 for student testing to meet board of education requirements. Of the \$4.3 million total, \$2.1 million is from the workers' compensation state fund, as per SB19, and \$2.2 million is from the general fund.

Other Legislation

House Bill 3 reduced personal services in OPI administration by \$37,510 to reflect the general fund pay plan reduction.

House Bill 7 creates a new state special revenue account, called the guarantee fund, into which is deposited interest and income from school lands, beginning July 1, 2002. This money will be statutorily appropriated for BASE aid for school districts. General fund BASE aid authority is reduced commensurately. The amount of interest and income expected to be deposited in the new guarantee account is \$48,801,000 in fiscal 2003.

House Bill 4 suspends the timber for technology program for fiscal 2003 and 2004. The timber revenue associated with timber production on school lands in excess of 18 million board feet per year from fiscal 2002 and 2003 will be deposited in the new state special guarantee account if HB 7 is passed and approved and in the general fund if HB 7 is not passed and approved. If both HB 7 and HB 4 are passed and approved, general fund BASE aid is reduced by \$51,701,000 to reflect the new BASE aid spending authority in the guarantee account. HB 4 has been signed by the Governor and HB 7 has been transmitted.

Senate Bill 19 transfers \$2.1 million to the state special flex fund from the workers compensation state fund in fiscal 2003.

House Bill 18 reduces state HB 124 block grants to districts and to the countywide school retirement and transportation accounts. The intent in HB 124 was to reimburse districts and the countywide accounts for light vehicle receipts received in fiscal 2001 as adjusted for HB 540, the flat tax on vehicles passed during the 1999 session. HB 540 instituted a new flat fee on light vehicles based on age of vehicle beginning January 1, 2001, halfway into fiscal 2001. In HB 124, districts and the countywide accounts were granted block grants for fiscal 2002 based on 93.4 percent of fiscal 2001 vehicle revenues. This percentage was designed to adjust fiscal 2001 vehicle fee revenue to reflect a full year's worth of receipts under the flat fee. Later analysis determined that the light vehicle adjustment to fiscal 2001 collections should have been 88.6 percent. Recalculating the district block grants saves the state \$1.8 million in HB 124 district block grant payments, with associated Guaranteed Tax Base (GTB) savings of \$575,000. Recalculating the countywide block grants saves the state \$1.3 million in HB 124 block grants, with GTB savings of \$277,000. The total net savings to the state is \$2.25 million.

Executive Budget Comparison

With a few exceptions, the legislature approved the reductions in OPI administration and distribution to schools recommended by the executive.

The legislature increased the reduction proposed by the Governor for OPI administration by \$29,171 by reducing general fund appropriations for office supplies and reducing the equipment budget by 66.67 percent.

The legislature decreased the reduction in the flex fund spending authority that the executive recommended. The executive had recommended that flex fund authority be reduced by \$4,883,000, leaving \$200,000 for student testing. The legislature reduced the flex fund authority by only \$783,000, leaving \$4.1 million for distribution to schools and \$200,000 for student testing.

The reduction in HB 124 block grants proposed by the executive was enacted in HB 18. The temporary diversion of timber revenue proposed by the executive was enacted in HB 4. The legislature did not enact the executive proposal to reduce the direct state aid percentage by 0.3 percent.

Language

The legislature added language that reserves \$200,000 in flex funds for student testing required by the board of public education.

The legislature added language which transfers unspent money in the flex account to the general fund at the end of fiscal 2003.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Office of Public Instruction Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 506,661,701	\$ 6,014,178	\$ 108,342,447	\$ 73,133	\$ 621,091,459
Original HB13-2001 Session	187,549	11,442	171,492	-	370,483
Total Fiscal 03 Legislative Appropriation	\$ 506,849,250	\$ 6,025,620	\$ 108,513,939	\$ 73,133	\$ 621,461,942
HB2 Special Session Action	(55,324,601)	(783,000)	-	-	(56,107,601)
Other Legislation	(2,254,636)	50,101,000	-	-	(2,153,636)
Pay Plan Reduction	(37,510)	-	-	-	(37,510)
Revised Legislative Appropriation	\$ 449,232,503	\$ 55,343,620	\$ 108,513,939	\$ 73,133	\$ 565,316,831
17-7-140 Adjustments	-	-	-	-	-
Revised Fiscal 2003	<u>\$ 449,232,503</u>	<u>\$ 55,343,620</u>	<u>\$ 108,513,939</u>	<u>\$ 73,133</u>	<u>\$ 565,316,831</u>
Percent Reduction from 2001 Session	-11.4%	818.5%	0.0%	0.0%	-9.0%

BOARD OF PUBLIC EDUCATION

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Board of Public Education Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 170,507	\$ 168,192	\$ (2,315)	-1.4%
State Special	<u>174,035</u>	<u>174,035</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 344,542</u>	<u>\$ 342,227</u>	<u>\$ (2,315)</u>	<u>-0.7%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$610
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$1,705

The overall reduction in HB 2 to the Board of Public Education is \$2,315 in general fund or 1.36 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

None

Executive Budget Comparison

The legislature revised the executive budget for the Board of Public Education by reducing general fund by an additional \$20,939 due to the passage of two global amendments involving a 1 percent general fund reduction and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan reduction of \$1,446 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the department to reallocate among programs the 1 percent reduction and reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Board of Public Education Fiscal 2003 Agency Funding Adjustments			
HB 2 & 13 + Adjustments	General Fund	State Special	Total Funds
Original HB2-2001 Session	\$ 170,507	\$ 174,035	\$ 344,542
Original HB13-2001 Session	7,228	5,457	12,685
Total Fiscal 03 Legislative Appropriation	\$ 177,735	\$ 179,492	\$ 357,227
HB2 Special Session Action	(2,315)	-	(2,315)
Pay Plan Reduction	(1,446)	-	(1,446)
Revised Legislative Appropriation	\$ 173,974	\$ 179,492	\$ 353,466
17-7-140 Adjustments	(17,774)	-	(17,774)
Revised Fiscal 2003	<u>\$ 156,200</u>	<u>\$ 179,492</u>	<u>\$ 335,692</u>
Percent Reduction from 2001 Session	-12.1%	0.0%	-6.0%

SCHOOL FOR THE DEAF AND BLIND

Summary of Legislative Action

The legislature made the following adjustments to the fiscal year 2003 appropriation:

School For The Deaf & Blind Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 3,429,728	\$ 3,451,775	\$ 22,047	0.6%	
State Special	235,065	346,065	111,000	47.2%	
Federal Special	88,898	88,898	-	0.0%	
Total	\$ 3,753,691	\$ 3,886,738	\$ 133,047	3.5%	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal year 2002 - \$6,453
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$19,201
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$34,294
- Increased the fiscal 2003 general fund appropriation by transferring personal services contingency money appropriated in HB 13 from the 2001 legislative session - \$25,000
- Increased the fiscal 2003 general fund appropriation by transferring MTAP money to the school - \$56,995
- Increased the fiscal 2003 state special revenue appropriation by - \$111,000

The overall impact in HB 2 to the school is an increase of \$22,047 in general fund money or 0.64 percent of the original fiscal year 2003 general fund appropriation and an increase of \$111,000 or 47.2% in state special revenue.

Other Legislation

The legislature passed Senate Bill 27 which transfers \$56,995 from the account for telecommunications services for persons with disabilities to the general fund for use by the School for the Deaf and Blind for purposes consistent with 53-19-306(2) MCA.

Executive Budget Comparison

The legislature revised the executive budget for the School for the Deaf and Blind as follows:

- Reduced general fund by an additional \$59,948 through the passage of global amendments involving a 1% general fund reduction, 2/3 reduction in equipment and 25% reduction in supplies.
- Added \$25,000 in fiscal year 2003 general fund money by reducing the personal services contingency appropriation included in House Bill 13 of the 2001 legislative session and transferring it to the school.

- Added \$56,995 in fiscal year 2003 general fund money by transferring money from the account for telecommunications services for persons with disabilities to the general fund for use by the school for purposes consistent with 53-19-306(2) MCA.
- Added \$111,000 in state special revenue by transferring ESA funding from the Department of Labor and Industry to the school.

The legislature adopted the executive budget reductions involving a 20% pay plan reduction of \$44,692 and a hiring freeze (refer to the overview section for further information).

Language

“It is the intent of the legislature that the agency not use general fund money in Item [Student Services] for the purchase of new or replacement automobiles unless an existing vehicle becomes inoperable to the point at which replacement is warranted.”

Language was added to allow the department to reallocate among programs the general fund increases (except for the \$56,995 transferred from the MTAP fund) and the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

School For The Deaf & Blind Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 3,429,728	\$ 235,065	\$ 88,898	\$ 3,753,691
Original HB13-2001 Session	223,458	-	-	223,458
Total Fiscal 03 Legislative Appropriation	\$ 3,653,186	\$ 235,065	\$ 88,898	\$ 3,977,149
HB2 Special Session Action	22,047	111,000	-	133,047
Pay Plan Reduction	(44,692)	-	-	(44,692)
Revised Legislative Appropriation	\$ 3,630,541	\$ 346,065	\$ 88,898	\$ 4,065,504
17-7-140 Adjustments	(130,638)	-	-	(130,638)
Revised Fiscal 2003	<u>\$ 3,499,903</u>	<u>\$ 346,065</u>	<u>\$ 88,898</u>	<u>\$ 3,934,866</u>
Percent Reduction from 2001 Session	-4.2%	47.2%	0.0%	-1.1%

MONTANA ARTS COUNCIL

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Montana Arts Council Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 302,551	\$ 299,019	\$ (3,532)	-1.2%
State Special	137,416	137,416	-	0.0%
Federal Special	<u>477,500</u>	<u>477,500</u>	<u>-</u>	<u>0.0%</u>
Total	<u>\$ 917,467</u>	<u>\$ 913,935</u>	<u>\$ (3,532)</u>	<u>-0.4%</u>

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal year 2002 - \$507
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$3,025

The overall impact in HB 2 to the Montana Arts Council is \$3,532 in general fund money or 1.2 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

The legislature passed the following bills during the special session with a fiscal impact to the Montana Arts Council as noted:

- House Bill 8 switches \$198,575 of funding for cultural and aesthetic grant projects from the general fund to the lodging facility use tax. The 2001 legislature appropriated \$223,575 from the general fund to the Montana Arts Council for grants to cultural and aesthetic projects in fiscal 2003. Then, fiscal 2003 general fund spending was reduced by \$25,000 as part of the Governor's reductions pursuant to 17-7-140 MCA. Therefore, HB 8 eliminates this appropriation and replaces it with \$198,575 from lodging facility use tax funds allocated to the Department of Commerce.
- House Bill 10 diverts \$203,000 in revenue flowing to the cultural and aesthetic trust fund to the general fund for fiscal 2003. Interest income from the trust is used to fund cultural and aesthetic grant projects and will be reduced by approximately \$6,000 in fiscal 2003.

These actions are outside of HB 2 and therefore not reflected in the above table. For further information, refer to the long-range planning section.

Executive Budget Comparison

The legislature approved the executive budget for the Montana Arts Council with the following exceptions:

- A \$56,800 funding switch that would replace general fund for the Montana Arts Council Folklife Program with lodging facility use tax provided by the Department of Commerce was not approved.
- Diverting cultural and aesthetic trust fund revenue to the general fund for fiscal 2003 through 2005 was approved only in fiscal 2003 by the legislature.
- General fund was reduced by an additional \$3,532 through the passage of two global amendments involving a 1 percent general fund reduction and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan reduction of \$4,363 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to reflect the 1 percent reduction and reduction in supplies.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Montana Arts Council Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 302,551	\$ 137,416	\$ 477,500	\$ 917,467
Original HB13-2001 Session	21,814	-	-	21,814
Total Fiscal 03 Legislative Appropriation	\$ 324,365	\$ 137,416	\$ 477,500	\$ 939,281
HB2 Special Session Action	(3,532)	-	-	(3,532)
Pay Plan Reduction	(4,363)	-	-	(4,363)
Revised Legislative Appropriation	\$ 316,470	\$ 137,416	\$ 477,500	\$ 931,386
17-7-140 Adjustments	(54,793)	-	-	(54,793)
Revised Fiscal 2003	<u>\$ 261,677</u>	<u>\$ 137,416</u>	<u>\$ 477,500</u>	<u>\$ 876,593</u>
Percent Reduction from 2001 Session	-19.3%	0.0%	0.0%	-6.7%

MONTANA STATE LIBRARY COMMISSION

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Library Commission Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 1,707,271	\$ 1,686,332	\$ (20,939)	-1.2%	
State Special	906,038	845,942	(60,096)	-6.6%	
Federal Special	780,694	780,694	-	0.0%	
Total	\$ 3,394,003	\$ 3,312,968	\$ (81,035)	-2.4%	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$3,868
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$17,071
- Reduced the fiscal 2003 state special revenue appropriation by revising the distribution of coal severance tax receipts for the shared account from 8.36 to 6.01- \$60,096
- Transferred excess funds from workers compensation claims occurring prior to July 1, 1990 to the general fund to eliminate an equipment reduction.

The overall impact in HB 2 to the library is a reduction of \$20,939 in general fund or 1.2 percent of the original fiscal 2003 general fund appropriation, and a reduction of \$60,096 or 6.6 percent in state special revenue.

Other Legislation

The legislature passed the following bills during the special session with a fiscal impact to the Montana State Library Commission as noted:

- House Bill 10 revised the distribution of coal severance tax receipts for the Coal Severance Tax Shared State Special Revenue account from 8.36 to 6.01 percent, reducing the Montana Library Commission state special revenue funding by \$60,096.
- Senate Bill 19 restores \$79,326 in general fund to the state library equipment account by transferring excess funds from workers compensation claims occurring prior to July 1, 1990.

Executive Budget Comparison

The legislature revised the executive budget for the Montana Library Commission as follows:

- Added \$70,000 of state special revenue by decreasing the reduction of the coal severance tax collections to the shared account from \$130,096 to \$60,096 and making the reduction effective for fiscal 2003 only. The executive proposal would have reduced the allocation for fiscal 2004 and 2005, also.
- Reduced general fund by an additional \$20,939 through the passage of two global amendments involving a 1 percent general fund reduction and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan reduction of \$14,511 and a hiring freeze (refer to the overview section for further information).

Language

“Item [State Library Operations] includes a reduction of \$60,096 in state special revenue, which is contingent upon passage and approval of House Bill No. 10, August 2002 Special Session.”

Language was added to allow the department to reallocate among programs the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Library Commission Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 1,707,271	\$ 906,038	\$ 780,694	\$ 3,394,003
Original HB13-2001 Session	72,557	9,690	-	82,247
Total Fiscal 03 Legislative Appropriation	\$ 1,779,828	\$ 915,728	\$ 780,694	\$ 3,476,250
HB2 Special Session Action	(20,939)	(60,096)	-	(81,035)
Pay Plan Reduction	(14,511)	-	-	(14,511)
Revised Legislative Appropriation	\$ 1,744,378	\$ 855,632	\$ 780,694	\$ 3,380,704
17-7-140 Adjustments	(87,811)	(9,904)	-	(97,715)
Revised Fiscal 2003	<u>\$ 1,656,567</u>	<u>\$ 845,728</u>	<u>\$ 780,694</u>	<u>\$ 3,282,989</u>
Percent Reduction from 2001 Session	-6.9%	-7.6%	0.0%	-5.6%

MONTANA HISTORICAL SOCIETY

Summary of Legislative Action

The legislature made the following adjustments to the fiscal 2003 appropriation:

Historical Society Agency Summary Comparisons HB 2, Fiscal 2003					
	Regular Session	Special Session	Difference	Percent Reduction	
General Fund	\$ 1,803,584	\$ 1,777,833	\$ (25,751)	-1.4%	
State Special	568,075	568,075	-	0.0%	
Federal Special	865,480	865,480	-	0.0%	
Other Funds	848,782	848,782	-	0.0%	
Total	<u>\$ 4,085,921</u>	<u>\$ 4,060,170</u>	<u>\$ (25,751)</u>	<u>-0.6%</u>	

- Reduced the fiscal 2003 general fund appropriation equivalent to 25 percent of general fund office supply expenditures in fiscal 2002 - \$2,421
- Reduced the fiscal 2003 general fund equipment appropriation by 2/3 - \$5,297
- Reduced the fiscal 2003 general fund appropriation by 1 percent - \$18,033

The overall impact in HB 2 to the Montana Historical Society is a reduction of \$25,751 in general fund money or 1.4 percent of the original fiscal 2003 general fund appropriation.

Other Legislation

None

Executive Budget Comparison

The legislature revised the executive budget for the Montana Historical Society as follows:

- Eliminated the funding switch that would replace general fund for the Montana Historical Society with lodging facility use tax provided by the Department of Commerce.
- Reduced general fund by an additional \$25,751 through the passage of global amendments involving a 1 percent general fund reduction, 2/3 equipment reduction, and 25 percent reduction in supplies.

The legislature adopted the executive budget reductions involving a 20 percent pay plan reduction of \$17,970 and a hiring freeze (refer to the overview section for further information).

Language

Language was added to allow the department to reallocate among programs the 1 percent reduction and reductions in supplies and equipment.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Historical Society Fiscal 2003 Agency Funding Adjustments					
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Other Funds	Total Funds
Original HB2-2001 Session	\$ 1,803,584	\$ 568,075	\$ 865,480	\$ 848,782	\$ 4,085,921
Original HB13-2001 Session	<u>89,850</u>	<u>12,801</u>	<u>32,796</u>	<u>30,294</u>	<u>165,741</u>
Total Fiscal 03 Legislative Appropriation	\$ 1,893,434	\$ 580,876	\$ 898,276	\$ 879,076	\$ 4,251,662
HB2 Special Session Action	(25,751)	-	-	-	(25,751)
Pay Plan Reduction	(17,970)	-	-	-	(17,970)
Revised Legislative Appropriation	\$ 1,849,713	\$ 580,876	\$ 898,276	\$ 879,076	\$ 4,207,941
17-7-140 Adjustments	<u>(109,819)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,819)</u>
Revised Fiscal 2003	<u>\$ 1,739,894</u>	<u>\$ 580,876</u>	<u>\$ 898,276</u>	<u>\$ 879,076</u>	<u>\$ 4,098,122</u>
Percent Reduction from 2001 Session	-8.1%	0.0%	0.0%	0.0%	-3.6%

MONTANA UNIVERSITY SYSTEM

Summary of Legislative Action

The legislature made the following adjustments totaling \$10.69 million to the fiscal 2003 House Bill 2 appropriation:

Commissioner of Higher Education Agency Summary Comparisons HB 2, Fiscal 2003				
	Regular Session	Special Session	Difference	Percent Reduction
General Fund	\$ 138,235,406	\$ 127,549,203	\$ (10,686,203)	-7.7%
State Special	13,066,460	13,066,460	-	0.0%
Federal Special	47,095,890	47,095,890	-	0.0%
Total	\$ 198,397,756	\$ 187,711,553	\$ (10,686,203)	-5.4%

- Reduced general fund and added language (see Language section below) expressing the legislature's intent that state support for intercollegiate athletics be reduced - \$3,400,000
- Reduced general fund by 1 percent - \$1,382,282
- Reduced general fund equal to 2/3 of the fiscal 2002 equipment expenditures - \$1,853,200
- Reduced general fund equal to the 17-7-140, MCA reductions ordered by the Governor in June 2002 - \$5,142,177⁵
- Reduced general fund equal to 25 percent of state funded office supplies expenditures in fiscal 2002 - \$179,218
- Added general fund to the lump sum appropriation - \$1,270,674

Other Legislation

The legislature passed the following bills during the special session with a fiscal impact to the Montana University System as noted:

- House Bill 10 revised the allocation of coal severance tax receipts for the Long Range Building Program from 12 to 10 percent. Two university system projects were impacted with a total reduction of \$284,000.
- House Bill 18 terminated the reimbursement of lost business equipment tax revenue to the six mill levy, resulting in a \$209,912 reduction in fiscal 2003. The Governor recommended offsetting this reduction with a general fund increase to the university system in House Bill 2. However, the legislature did not adopt the recommendation. State special revenue authority was not reduced in House Bill 2 to reflect this anticipated decrease in the six mill levy revenue.
- House Bill 3 reduced the fiscal 2003 general fund pay plan appropriation by 20 percent- \$1,751,810

⁵ Total 17-7-140 reductions for the Montana University System were \$5,152,141. The legislature adopted most of the fiscal 2003 reduction (\$5,142,177) into HB2 during special session. The remaining amount, \$9,964, is attributable to: 1) a \$3,500 reduction *fiscal 2002* in HB2 for the Tribal College Assistance biennial appropriation share of the 17-7-140 reductions, 2) a \$2,275 expenditure reduction for the Cooperative Development Center statutory appropriation, and 3) a \$4,189 expenditure reduction for the dental hygiene program that received a general fund appropriation via HB 395 in the 2001 session.

Executive Budget Comparison

The legislature did not adopt any of the recommendations contained in the executive reduction proposal for the Montana University System.

- The Governor recommended a \$3.4 million general reduction, prorated among the educational units and the higher education agencies; the legislature adopted \$3.4 million in reductions to the educational units and higher education agencies based upon expenditure patterns for those items reduced, such as equipment and supplies.
- The Governor recommended a one-time transfer from the lodging tax be used to offset general fund at the Museum of the Rockies; the legislature continued state general fund support for this program.
- The Governor recommended backfilling reduced six-mill levy revenue (HB 18) with \$209,912 of state general fund; the legislature did not approve this recommendation.
- The legislature reduced the general fund appropriation by \$5.1 million, adopting the 17-7-140 reductions ordered by the Governor in June 2002. The Governor's proposal to the special legislative session did not include this reduction.
- The legislature imposed a net \$2.1 million general fund reduction for the educational units which was not included in the Governor's proposal. This was the result of a general reduction to the lump sum of \$3.4 million offset by \$1.3 million made available upon passage of Senate Bill 19.

Language

The legislature added the following language accompanying an amendment reducing the fiscal 2003 general fund appropriation by \$3.4 million:

“Although the legislature acknowledges the constitutional power of the board of regents to manage and control the Montana university system, it is the intent of the legislature that state support of intercollegiate athletics be reduced and that replacement funding, if desired, be from nonstate sources.”

The legislature added a “restricted” condition to the line item appropriations for the Agricultural Experiment Station, Extension Service, Forestry and Conservation Experiment Station, Bureau of Mines and Geology, and the Fire Services Training School. The restricted designation means that the appropriation cannot be reallocated to other line items.

Total Fiscal 2003 Impact to Agency

The following table summarizes the total impact to the agency as a result of legislative action in the special session to alter appropriations, and the Governor's spending reductions ordered under the authority of 17-7-140 in June, 2002.

Commissioner of Higher Education Fiscal 2003 Agency Funding Adjustments				
HB 2 & 13 + Adjustments	General Fund	State Special	Federal Special	Total Funds
Original HB2-2001 Session	\$ 138,235,406	\$ 13,066,460	\$ 47,095,890	\$ 198,397,756
Original HB13-2001 Session	8,759,051	-	199,719	8,958,770
Total Fiscal 03 Legislative Appropriation	\$ 146,994,457	\$ 13,066,460	\$ 47,295,609	\$ 207,356,526
HB2 Special Session Action	(10,686,203)	-	-	(10,686,203)
Pay Plan Reduction	(1,751,810)	-	-	(1,751,810)
Revised Legislative Appropriation	\$ 134,556,444	\$ 13,066,460	\$ 47,295,609	\$ 194,918,513
17-7-140 Adjustments*	(9,964)	-	-	(9,964)
Revised Fiscal 2003	<u>\$ 134,546,480</u>	<u>\$ 13,066,460</u>	<u>\$ 47,295,609</u>	<u>\$ 194,908,549</u>
Percent Reduction from 2001 Session	-8.5%	0.0%	0.0%	-6.0%
*See Footnote 1 Text				

Impact of Legislative Action

The legislature's primary role with regard to university system funding is to exercise its constitutional power to appropriate. Once the legislature establishes the appropriation, or makes changes to the appropriation in special session, the Board of Regents has the constitutional authority and responsibility to decide how to implement the budget and any budget changes.

As summarized in the table above, the special session authorized a 8.5 percent general fund reduction for the Montana University System, including reductions in House Bill 2 and the fiscal 2003 pay plan general fund. At the July 2002 Board of Regents meeting, the board approved a motion that limits the amount of general fund reductions that can be offset with tuition and fee increases. The Board of Regents directed the Montana University System to offset no more than one-half of the total fiscal 2003 general fund reductions with tuition and fees. Total fiscal 2003 general fund reductions for the Montana University System adopted by the special session (excluding the reductions to the long range building projects) are \$12.44 million. According to Board of Regent policy, tuition and fee surcharges assessed in fiscal 2003 should be designed to collect no more than \$6.22 million. On a *system wide basis*, resident and non-resident students alike, this would translate into an approximate \$198 annual surcharge, a 5.5 percent increase for resident undergraduate students and a 1.8 percent increase for non-resident undergraduate students. The Board of Regents is expected to address its options for managing the special session reductions, including tuition surcharges, at its September 2002 meeting.

